

**AUDITED FINANCIAL STATEMENTS  
OF  
CITY OF TOM BEAN  
TOM BEAN, TEXAS  
AT  
SEPTEMBER 30, 1997**

CITY OF TOM BEAN, TEXAS  
Annual Financial Report  
Fiscal Year Ended September 30, 1997

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# GREGG & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

MEMBER

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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, 1997, 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, 1997, 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 24, 1997

CITY OF TOM BEAN, TEXAS  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
September 30, 1997

ASSETS	Governmental fund type	Proprietary fund type	Account Groups		Totals (memorandum only)	
	General	Water and sewer	General fixed assets	General long-term debt	1997	1996
Cash in bank	\$13,105	\$7,086	--	--	\$20,191	\$25,168
Receivables (net of allowance for doubtful accounts):						
Property taxes	1,534	--	--	--	1,534	1,424
Water/Sewer	--	17,270	--	--	17,270	15,623
Sanitation	2,834	--	--	--	2,834	2,864
Sundry	417	--	--	--	417	1,765
Due from other funds	--	2,779	--	--	2,779	2,779
 Total current assets:	 17,890	 27,135	 --	 --	 45,025	 49,623
 Restricted assets:						
Deposits held by other agencies	--	96,913	--	--	96,913	92,957
 Total restricted assets	 --	 96,913	 --	 --	 96,913	 92,957
 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	11,854
Sewer system	--	997,745	--	--	997,745	997,745
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	1,959,241
 Accumulated depreciation	 --	 (487,389)	 (183,528)	 --	 (670,917)	 (614,075)
	--	1,255,061	33,263	--	1,288,324	1,345,166
 Amount to be provided	 --	 --	 --	 \$15,537	 15,537	 19,764
 Total assets	 \$17,890	 \$1,379,109	 \$33,263	 \$15,537	 \$1,445,799	 \$1,507,510

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, 1997

	Governmental fund type	Proprietary fund type	Account Groups		Totals (memorandum only)	
	General	Water and sewer	General fixed assets	General long-term debt	1997	1996
<b>LIABILITIES</b>						
Current liabilities						
Accrued liabilities	\$16,229	\$9,498	--	--	\$25,727	\$18,069
Sales tax payable	596	--	--	--	596	612
Other accounts payable	2,383	--	--	--	2,383	2,496
Customer water deposits	--	16,360	--	--	16,360	14,167
Notes Payable - First Nat'l Bank	--	--	--	\$15,537	15,537	19,764
Due to other funds	2,778	--	--	--	2,778	2,779
Water and sewer bonds (current)	--	15,000	--	--	15,000	30,000
Contractual obligations - (current)	--	15,000	--	--	15,000	--
Bond interest payable	--	10,017	--	--	10,017	10,017
Deferred revenues	1,535	--	--	--	1,535	1,424
Total current liabilities	23,521	65,875	--	15,537	104,933	99,328
Long-term debt:						
Water and sewer bonds- L.T.	--	40,000	--	--	40,000	465,000
Contracted obligations - long term (Note D)	--	395,000	--	--	395,000	--
Total liabilities	23,521	500,875	--	15,537	539,933	564,328
<b>FUND EQUITY</b>						
Investment in general fixed assets	--	--	\$33,263	--	33,263	38,725
Fund balance: unreserved	(5,631)	878,234	--	--	872,603	904,457
Total fund equity	(5,631)	878,234	33,263	--	905,866	943,182
Total liabilities and fund equity	\$17,890	\$1,379,109	\$33,263	\$15,537	\$1,445,799	\$1,507,510

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, 1997

	Governmental fund types	Totals (Memorandum only)	
	General	1997	1996
Revenues:			
Property tax revenue	\$62,340	\$62,340	\$60,673
Court fees income	29,939	29,939	23,485
Franchise permits	24,041	24,041	18,349
Sales tax revenue	19,617	19,617	14,799
Sanitation revenue	3,288	3,288	3,508
Interest income	887	887	925
Property tax-penalty and interest	805	805	904
Building permit revenue	688	688	206
Coffee / Coke machine revenue	342	342	150
Miscellaneous income	---	---	55
Total revenues	141,947	141,947	123,054
Expenditures:			
Salaries	22,475	22,475	19,925
Utilities	10,412	10,412	9,286
Payroll taxes & fringe benefits	6,358	6,358	5,570
Insurance	3,210	3,210	3,187
Mayor expense	2,400	2,400	2,400
Vehicle expense	1,572	1,572	616
Office supplies and postage expense	1,455	1,455	1,260
Dues, subscriptions, & tuition	981	981	959
Audit	950	950	950
Appraisal district fees expense	896	896	867
Election expense	774	774	309
Equipment purchases	675	675	2,285
Legal	600	600	---
Repair and maintenance	582	582	1,245
Tax collection fee	540	540	536
Workers comp. insurance	526	526	793
Advertising/professional	499	499	429
Coffee/Coke machine expense	272	272	204
Chemicals & lab fees	239	239	649
Contributions	200	200	300
Tools, equipment & uniforms	117	117	213
Miscellaneous expense	95	95	171
Professional fees	90	90	187
Equipment rent	85	85	44
Returned check expense	---	---	73
Contract labor	---	---	57
Total general expenditures	\$56,003	\$56,003	\$52,515

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, 1997

	Governmental fund types	Totals (Memorandum only)	
	General	1997	1996
Fire department:			
Miscellaneous expense	\$1,300	\$1,300	\$1,301
Total fire department expenditures	1,300	1,300	1,301
Police department:			
Salaries	38,230	38,230	35,336
Vehicle expense	15,776	15,776	14,298
Employee fringe benefits	3,882	3,882	3,455
Municipal court expense	2,400	2,400	2,400
Utilities	2,391	2,391	1,662
Supplies	1,278	1,278	1,991
Office supplies expense	761	761	339
Uniforms	565	565	750
Education and tuition	398	398	229
Equipment rent	242	242	355
Repairs and maintenance	191	191	1,541
Miscellaneous expense	---	---	5
Total police department expenditures	66,114	66,114	62,361
Street department:			
Street repairs	11,307	11,307	3,897
Total street department expenditures	11,307	11,307	3,897
Park department:			
Miscellaneous expense	---	---	---
Utilities	139	139	136
Total park department expenditures	139	139	136
Total expenditures	134,863	134,863	120,210
Excess of revenues over (under) expenditures	7,084	7,084	2,844
Transfer out to water fund	(22,056)	(22,056)	(2,344)
Fund balances, beginning October 1	9,341	9,341	9,341
Fund balances, ending September 30	(\$5,631)	(\$5,631)	\$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, 1997

General Fund

	Budget	Actual	Variance- favorable (unfavorable)
Revenues:			
Property tax revenue	\$61,669	\$62,340	\$671
Court fee revenue	26,033	29,939	3,906
Franchise tax revenue	20,604	24,041	3,437
Sales tax revenue	14,920	19,617	4,697
Sanitation revenue	3,396	3,288	(108)
Interest income	1,035	887	(148)
Property tax - penalty and interest	690	805	115
Coffee / Coke machine revenue	205	688	483
Building permit revenue	200	342	142
Total revenues	\$128,752	\$141,947	\$13,195

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, 1997

General Fund

	Budget	Actual	Variance- favorable (unfavorable)
Expenditures:			
General Expenses:			
Salaries	\$22,500	\$22,475	\$25
Utilities	9,600	10,412	(812)
Payroll taxes & fringe benefits	5,724	6,358	(634)
Grant expense	5,000	---	5,000
Insurance	3,200	3,210	(10)
Mayor expense	2,400	2,400	---
Workers comp insurance	2,000	526	1,474
Equipment purchases	1,500	675	825
Contributions	1,500	200	1,300
Office supplies and postage expense	1,150	1,455	(305)
Dues and subscriptions & tuition	1,048	981	67
Audit	900	950	(50)
Appraisal district fees	870	896	(26)
Vehicle expense	850	1,572	(722)
Miscellaneous expense	650	95	555
Tax collection fees	550	540	10
Legal	500	600	(100)
Repair and maintenance	400	582	(182)
Tools and equipment & uniforms	400	117	283
Election expense	350	774	(424)
Coke machine, coffee	250	272	(22)
Accounting assistance	200	---	200
Chemicals	100	239	(139)
Advertising	100	499	(399)
Equipment rent	45	85	(40)
Professional	---	90	(90)
Total general expenses	\$61,787	\$56,003	\$5,784

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

General Fund			
	Budget	Actual	Variance- favorable (unfavorable)
Police department			
Salaries	\$35,900	\$38,230	(\$2,330)
Vehicle expense	10,580	15,776	(5,196)
Employee fringe benefits	3,490	3,882	(392)
Municipal court expense	2,400	2,400	---
Utilities	1,250	2,391	(1,141)
Repair & maintenance	500	191	309
Supplies	450	1,278	(828)
Uniforms	400	565	(165)
Tools and equipment	400	---	400
Equipment rent	395	242	153
Office expense	300	761	(461)
Education & tuition	300	398	(98)
	56,365	66,114	(9,749)
Street department			
Street repairs	10,250	11,307	(1,057)
	10,250	11,307	(1,057)
Parks department			
Repair & maintenance	200	---	200
Utilities	150	139	11
Miscellaneous expense	---	1,300	(1,300)
	350	1,439	211
Total expenditures	128,752	134,863	(4,811)
Excess of revenues over (under) expenditures	\$0	\$7,084	\$7,084

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, 1997

EXHIBIT D

	Waterworks	Sewer system	Total systems (NOTE F) 1997	1996
Operating revenues:				
Water/meter and sewer revenue	\$145,728	\$39,726	\$185,454	\$187,125
Water and sewer tie-on revenue	2,880	1,200	4,080	1,610
Reconnect fee revenue	1,265	---	1,265	270
Returned check revenue	150	---	150	100
Meter transfer fee	150	---	150	90
Miscellaneous water income	23	---	23	65
Sales tax revenue	---	---	---	1,039
Total Operating revenues	150,196	40,926	191,122	190,299
Operating expenses:				
Depreciation expense	22,558	28,823	51,381	46,295
Salaries	22,475	22,475	44,950	39,850
Utilities	21,237	17,175	38,412	40,340
Repairs and maintenance	19,903	4,527	24,430	12,684
Chemicals, enzymes, lab expense	4,045	4,583	8,628	5,247
Payroll taxes & fringe benefits	3,551	3,536	7,087	6,304
Insurance	3,210	3,210	6,420	6,374
Contract labor	2,845	3,605	6,450	7,946
Workers comp. insurance	1,620	1,621	3,241	3,238
Material and supplies	1,549	2,519	4,068	2,376
Vehicle expense	1,537	1,513	3,050	1,247
Inspection expense	1,392	1,125	2,517	1,667
Audit	950	950	1,900	1,900
Office, postage & cleaning expense	875	940	1,815	1,606
Tools expense	317	381	698	555
Equip rental expense & lease expense	305	305	610	738
Legal, dues, subscriptions, education	140	359	499	1,041
Bad debt expense	55	---	55	436
Uniforms & advertising expense	---	193	193	436
Miscellaneous expense	---	200	200	1,740
Total Operating expenses	108,564	98,040	206,604	182,020
Operating income (loss)	41,632	(57,114)	(15,482)	8,279
Nonoperating revenues				
Penalty and interest revenue	10,602	---	10,602	6,013
Interest income	493	---	493	1,668
Grant income	---	---	---	5,786
Total Nonoperating revenues:	11,095	---	11,095	13,467
Nonoperating expenses:				
Interest expense	31,471	3,080	34,551	36,533
Grant expense	---	---	---	9,786
Total Nonoperating expenses:	31,471	3,080	34,551	46,319
Net Nonoperating income:	(20,376)	(3,080)	(23,456)	(32,852)
Net Income before transfers	21,256	(60,194)	(38,938)	(24,573)
Transfer in from general fund	22,056	---	22,056	2,844
Net Income	43,312	(60,194)	(16,882)	(21,729)
Fund balances, beginning October 1	901,054	(122,378)	895,116	916,845
Fund balances, ending September 30	\$944,366	(\$182,572)	\$878,234	\$895,116

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, 1997

	Water Fund			Sewer Fund		
	Budget	Actual	Variance- favorable (unfavorable)	Budget	Actual	Variance- favorable (unfavorable)
Revenue:						
Water/meter and sewer revenue	\$152,500	\$145,728	(\$6,772)	\$40,480	\$39,726	(\$754)
Penalty and interest revenue	5,703	6,646	943	---	---	---
Water and sewer tie-on revenue	1,500	2,880	1,380	1,500	1,200	(300)
Interest income	1,000	493	(507)	---	---	---
Reconnect fee revenue	200	1,265	1,065	---	---	---
Returned check fee	75	150	75	---	---	---
Meter transfer fee	60	150	90	---	---	---
Miscellaneous	60	23	(37)	---	---	---
Total revenue	161,098	157,335	(3,763)	41,980	40,926	(1,054)
Expenses:						
Interest expense	32,765	31,471	1,294	3,080	3,080	---
Utilities	25,000	21,237	3,763	18,000	17,175	825
Salaries	22,500	22,475	25	22,500	22,475	25
Chemicals and enzymes and lab fees	4,200	4,045	155	2,005	4,583	(2,578)
Payroll taxes & fringe benefits	3,642	3,551	91	3,642	3,536	106
Property and liability insurance	3,200	3,210	(10)	3,200	3,210	(10)
Repairs and maintenance	3,000	19,903	(16,903)	2,500	4,527	(2,027)
Workers comp. insurance	2,000	1,620	380	2,000	1,621	379
Contract labor	1,800	2,845	(1,045)	3,000	3,605	(605)
Equipment purchase	1,500	---	1,500	1,500	---	1,500
Audit	900	950	(50)	900	950	(50)
Inspection expense	800	1,392	(592)	1,250	1,125	125
Office, postage, & cleaning expense	725	875	(150)	725	940	(215)
Vehicle expense	725	1,537	(812)	725	1,513	(788)
Supplies	527	1,549	(1,022)	1,127	2,519	(1,392)
Dues, subscriptions & tuition	470	140	330	330	359	(29)
Tools and equipment	450	317	133	450	381	69
Bad debt expense	400	55	345	---	---	---
Equipment rental and lease	340	305	35	340	305	35
Uniforms & advertising	100	---	100	100	193	(93)
Legal	100	---	100	100	---	100
Returned check expense	40	---	40	---	---	---
Depreciation expense (Note A)	---	22,558	(22,558)	---	28,823	(28,823)
Miscellaneous expense	---	---	---	300	200	100
Total expense	105,184	140,035	(34,851)	67,774	101,120	(33,346)
Net income	\$55,914	\$17,300	(\$38,614)	(\$25,794)	(\$60,194)	(\$34,400)

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, 1997

## CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$269,557
Interest received	493
Cash paid to suppliers and employees	(276,112)
Interest paid	34,551

Net Cash Provided (Used) by Operating Activities	28,489
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## CASH FLOWS FROM FINANCING ACTIVITIES:

Principal payments on long-term debt	(30,000)
--------------------------------------	----------

Net Cash Provided (Used) by Financing Activities	(30,000)
--	----------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,511)
--	---------

CASH AND CASH EQUIVALENTS, OCTOBER 1	8,597
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CASH AND CASH EQUIVALENTS, SEPTEMBER 30	\$7,086
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Reconciliation of net income to net cash provided  
by operating activities:

Net income	(\$20,838)
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Adjustments to reconcile net income to net  
cash provided by operating activities:

Depreciation	51,380
(Increase) decrease in accounts receivable	(1,647)
Increase (decrease) in accrued liabilities	(2,599)
Increase (decrease) in water meter deposits	2,193

Total adjustments	49,327
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NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$28,489
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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, 1997

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.

### 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.



## Notes to the Financial Statements (Continued)

### 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 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.

## Notes to the Financial Statements (Continued)

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 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.

### 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.

## 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, 1996	Additions	Deductions	Sept. 30, 1997
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	6,698	--	--	6,698
Machinery & equipment	63,871	--	--	63,871
	216,792	--	--	216,792
Accumulated deprec.	(178,066)	(10,462)	--	(183,528)
	<u>\$42,691</u>	<u>(10,462)</u>	<u>--</u>	<u>\$38,726</u>



Notes to the Financial Statements (Continued)

Proprietary Fund Fixed Assets

The following is a summary of proprietary fund fixed assets at September 30, 1997:

	<u>Oct. 1, 1996</u>	<u>Additions</u>	<u>Deductions</u>	<u>Sept. 30, 1997</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>997,745</u>	<u>--</u>	<u>--</u>	<u>997,745</u>
	1,742,450	--	--	1,742,450
Accumulated deprec.	<u>(436,009)</u>	<u>(51,380)</u>	<u>--</u>	<u>(487,389)</u>
	<u>\$1,306,441</u>	<u>(51,380)</u>	<u>--</u>	<u>\$1,255,061</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, 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, 1997.

The bond funding requirements for all bonds at September 30, 1997 are \$71,140. The amounts funded are \$101,553, therefore, there is a surplus funding of \$30,413.

Notes to the Financial Statements (Continued)

		<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. CONTRACTED OBLIGATIONS

Under the terms of a long term water supply and sewer service contract between the City and Greater Texoma Utility Authority (GTUA), entered into October 29, 1988, the city recognizes that GTUA has an undivided ownership interest in the facility equivalent to the percentage of the total cost of the facility provided by GTUA through the issuance and sale of GTUA bonds. The City has an obligation to make payments specified by the contract to GTUA to pay the principle and interest an the bonds, maintain a Reserve Fund for the security and payment of Bonds similarly secured, pay the administrative and overhead expenses of GTUA directly attributable to the Bonds, and pay any extraordinary expenses incurred by GTUA in conection with the Bonds.

Under terms of the contract the City's obligation to make payments to GTUA, as well as GTUA's ownership interest in the facility terminate, when all of GTUA's bonds issued in connection with construction of the facility have been paid full, are retired, and are no longer outstanding.

The original total principal obligation of the contract was \$480,000.00, with interest rates varying between 5.85% and 7.50%. As of September 30, 1997, the principal balance of the obligation was \$410,000.00. The City's obligation to GTUA under Long Term contract expires with the retirement of GTUA bonds in the fiscal Year ending September 30, 2012. At that time the undivided interest in the property transfers from GTUA to the City.

E. TAX ROLLS

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



Notes to the Financial Statements (Continued)

<u>Tax Year</u>	<u>1997</u>	<u>1996</u>
Gross market value	\$16,067,235	\$14,909,296
Exemptions	(222,000)	(73,420)
Net taxable value	15,845,235	14,835,876
Tax rate per \$100	.0041282	0.0040228
Tax levy	<u>\$ 65,412</u>	<u>\$ 59,681</u>

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	\$ 925
Property taxes - prior years	720
	<u>\$1,645</u>

WATERWORKS AND SEWER SYSTEM  
SCHEDULE OF BOND REQUIREMENTS  
YEAR ENDED SEPTEMBER 30, 1997

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			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	
1998	\$225	\$225	\$5,000	\$1,260	\$1,260	\$10,000	\$17,970
1999	113	112	5,000	980	980	10,000	17,185
2000				700	700	10,000	11,400
2001				420	420	15,000	15,840
TOTALS	\$338	\$337	\$10,000	\$3,360	\$3,360	\$45,000	\$62,395

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

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

City of Tom Bean, Texas  
Schedule of City Officials  
September 30, 1997

<u>Name</u>	<u>Position</u>
James Yowell	Mayor
Ben Vincent	Mayor Pro Tem
Bobbie Moran	Council Member
Ruby Barnes	Council Member
Rick Horner	Council Member
David Schaab	Council Member
Janet Dickey	Secretary

Water & Sewer Rates

<u>Connections</u>	<u>Water Rate</u>	<u>Sewer Rate</u>
Within city limits:		
	\$20.00 for 1st 2,000 gallons.	\$4.32 for 1st
Water - 392	\$2.17 for each additional 1,000 gallons between 2,000	1,000 gallons.
Sewer - 315	and 15,000 gallons. \$3.00 for each additional 1,000 gallons over 15,000 gallons.	\$1.29 for each additional 1,000 gallons.
Outside city limits:		
	\$25.00 for 1st 2,000 gallons.	
Water - 17	\$3.23 for each additional 1,000 gallons between 2,000	
Sewer - 0	and 15,000 gallons. \$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