

**AUDITED FINANCIAL STATEMENTS  
OF  
CITY OF TOM BEAN  
TOM BEAN, TEXAS  
AT  
SEPTEMBER 30, 1999**

CITY OF TOM BEAN, TEXAS  
Annual Financial Report  
Fiscal Year Ended September 30, 1999

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# GREGG & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

118 COTTONBELT

P.O. BOX 619

TOM BEAN, TEXAS 75489-0619

VOICE (903) 546-6975 FAX (903) 546-6017

MEMBER

TEXAS SOCIETY OF CPAs

MEMBER

AMERICAN INSTITUTE OF CPAs

## 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, 1999, 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 and the standards applicable to financial audits contained in *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. 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, 1999, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2000, on our consideration of Tom Bean, Texas internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The general and statistical 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 CPAs*

Tom Bean, Texas  
March 2, 2000



CITY OF TOM BEAN, TEXAS  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
September 30, 1999

ASSETS	Governmental fund type	Proprietary fund type	Account Groups		Totals (memorandum only)	
	General	Water and sewer	General fixed assets	General long-term debt	1999	1998
Cash	\$ 330	-	-	-	\$ 330	\$ 9,057
Receivables (net of allowance for doubtful accounts):						
Property taxes	1,928	-	-	-	1,928	2,533
Water/Sewer	-	\$ 29,176	-	-	29,176	28,904
Sanitation	-	-	-	-	-	-
Sundry	500	-	-	-	500	-
Due from other funds	-	28,665	-	-	28,665	4,564
<b>Total Current assets:</b>	<b>2,758</b>	<b>57,841</b>	<b>-</b>	<b>-</b>	<b>60,599</b>	<b>45,058</b>
<b>Restricted assets:</b>						
Deposits held by other agencies	-	54,125	-	-	54,125	65,742
<b>Total Restricted assets</b>	<b>-</b>	<b>54,125</b>	<b>-</b>	<b>-</b>	<b>54,125</b>	<b>65,742</b>
<b>Property, plant and equipment: (Note B)</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	-	55,217	6,698	-	61,915	46,792
Furniture & fixtures	-	5,157	83,271	-	88,428	80,778
Sewer system	-	997,745	-	-	997,745	997,745
Water pump	-	14,880	-	-	14,880	7,935
Water system	-	555,479	-	-	555,479	555,479
Water distribution improvements.	-	133,540	-	-	133,540	133,540
	-	1,764,518	236,192	-	2,000,710	1,970,992
<b>Accumulated depreciation</b>	<b>-</b>	<b>(584,821)</b>	<b>(196,538)</b>	<b>-</b>	<b>(781,359)</b>	<b>(728,869)</b>
<b>Total Property, plant and equipment:</b>	<b>-</b>	<b>1,179,697</b>	<b>39,654</b>	<b>-</b>	<b>1,219,351</b>	<b>1,242,123</b>
<b>Amount to be provided</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 12,133</b>	<b>12,133</b>	<b>21,786</b>
<b>Total assets</b>	<b>\$ 2,758</b>	<b>\$ 1,291,663</b>	<b>\$ 39,654</b>	<b>\$ 12,133</b>	<b>\$ 1,346,208</b>	<b>\$ 1,374,709</b>

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, 1999

	Governmental fund type	Proprietary fund type	Account Groups		Totals (memorandum only)	
	General	Water and sewer	General fixed assets	General long-term debt	1999	1998
<b>LIABILITIES</b>						
Current liabilities						
Bank overdrafts	\$ 15,133	\$ 19,178	-	-	\$ 34,311	-
Accrued liabilities	282	1,046	-	-	1,328	\$ 25,018
Sales tax payable	-	-	-	-	-	-
Other accounts payable	-	10,420	-	-	10,420	4,386
Customer water deposits	-	16,855	-	-	16,855	17,040
Notes Payable - First Nat'l Bank	-	4,071	-	\$ 12,133	16,204	21,786
Due to other funds	28,665	-	-	-	28,665	4,564
Water and sewer bonds (current)	-	10,000	-	-	10,000	15,000
Contractual obligations - (current)	-	20,000	-	-	20,000	15,000
Bond interest payable	-	7,254	-	-	7,254	8,009
Deferred revenues (Note F)	2,091	-	-	-	2,091	2,423
Total current liabilities	46,171	88,824	-	12,133	147,128	113,226
Long-term debt:						
Water and sewer bonds - long term	-	15,000	-	-	15,000	25,000
Contracted obligations - long term (Note D)	-	360,000	-	-	360,000	380,000
Total liabilities	46,171	463,824	-	12,133	522,128	518,226
<b>FUND EQUITY</b>						
Investment in fixed assets	-	-	\$ 39,654	-	39,654	38,013
Fund balance: unrestricted	(43,413)	-	-	-	(43,413)	(15,320)
Retained earnings: unrestricted	-	827,839	-	-	827,839	833,790
Total fund equity	(43,413)	827,839	39,654	-	824,080	856,483
Total liabilities and fund equity	\$ 2,758	\$1,291,663	\$ 39,654	\$12,133	\$1,346,208	\$1,374,709

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, 1999

	Governmental fund types	Totals (Memorandum only)	
	General	1999	1998
Revenues:			
Property tax revenue	\$ 74,553	\$ 74,553	\$ 67,711
Court fees income	43,097	43,097	65,670
Grant income	28,569	28,569	9,257
Franchise permits	23,090	23,090	20,628
Sales tax revenue	21,140	21,140	10,370
Insurance claim revenue	12,674	12,674	-
Sanitation revenue	1,140	1,140	3,859
Interest income	427	427	1,572
Building permit revenue	421	421	3,243
Other income	50	50	6,340
	<u>205,161</u>	<u>205,161</u>	<u>188,650</u>
General Expenditures:			
Salaries	22,838	22,838	21,911
Utilities	18,318	18,318	23,730
Other expenditures	12,234	12,234	6,085
Street department	8,852	8,852	3,139
Property & liability insurance	7,043	7,043	7,330
Office supplies and postage expense	5,610	5,610	9,053
Payroll taxes & fringe benefits	3,465	3,465	3,347
Audit	3,000	3,000	2,900
Contract labor	2,463	2,463	2,400
Licences, permits, fees	2,433	2,433	6,757
Total general expenditures	<u>86,256</u>	<u>86,256</u>	<u>86,652</u>
Police department:			
Salaries	83,172	83,172	65,182
Vehicle expense	23,707	23,707	17,812
Municipal court expense	18,213	18,213	4,537
Other expenditures	15,891	15,891	17,623
Employee fringe benefits	6,015	6,015	6,533
Total police expenditures	<u>146,998</u>	<u>146,998</u>	<u>111,687</u>
Total expenditures	<u>233,254</u>	<u>233,254</u>	<u>198,339</u>
Excess of revenues over (under) expenditures	(28,093)	(28,093)	(9,689)
Fund balances, beginning October 1	(15,320)	(15,320)	(5,631)
Fund balances, ending September 30	<u>\$ (43,413)</u>	<u>\$ (43,413)</u>	<u>\$ (15,320)</u>

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, 1999

## General Fund

	Budget	Actual	Variance- favorable (unfavorable)
<b>Revenues:</b>			
Property tax revenue	\$ 67,942	\$ 74,553	\$ 6,611
Court fee revenue	65,000	43,097	(21,903)
Grant income	13,884	28,569	14,685
Franchise tax revenue	15,000	23,090	8,090
Sales tax revenue	5,800	21,140	15,340
Insurance claim revenue	-	12,674	12,674
Sanitation revenue	4,200	1,140	(3,060)
Interest income	1,450	427	(1,023)
Building permit revenue	3,000	421	(2,579)
Property tax - penalty and interest	2,000	50	(1,950)
Total revenues	178,276	205,161	26,885
<b>Expenditures:</b>			
General expenditures:			
Other	16,543	36,248	(19,705)
Salaries	18,300	22,838	(4,538)
Utilities	16,600	18,318	(1,718)
Street maintenance	21,431	8,852	12,579
Police department:			
Salaries	62,000	83,172	(21,172)
Vehicle expense	28,000	23,707	4,293
Other	9,996	21,906	(11,910)
Court fees and expenses	10,400	18,213	(7,813)
Total expenditures	183,270	233,254	(49,984)
Excess of revenues over (under) expenditures	\$ (4,994)	\$ (28,093)	\$ (23,099)

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



CITY OF TOM BEAN, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS - PROPRIETARY FUND TYPE (WATER AND SEWER FUND)  
Year ended September 30, 1999

EXHIBIT D

	Water and Sewer	Totals (NOTE A) 1999	1998
Operating revenues:			
Water/meter and sewer revenue	\$222,669	\$222,669	\$208,248
Water and sewer tie-on revenue	5,750	5,750	507
Total Operating revenues	228,419	228,419	208,755
Operating expenses:			
Salaries	70,912	70,912	63,492
Depreciation expense	50,381	50,381	50,951
Utilities	25,186	25,186	20,081
Payroll taxes & fringe benefits	11,772	11,772	14,829
Contract labor	11,197	11,197	30,789
Chemicals, enzymes, lab expense	7,903	7,903	5,328
Insurance	5,161	5,161	2,896
Equipment, repairs, and maintenance	3,735	3,735	6,798
Miscellaneous expense	3,388	3,388	3,147
Vehicle expense	3,457	3,457	1,503
Legal, dues, permits, subscriptions, education	2,500	2,500	3,820
Material and supplies	1,738	1,738	11,123
Office, postage & cleaning expense	1,380	1,380	2,170
Engineering fees	-	-	7,881
Total Operating expenses	198,710	198,710	224,808
Operating income (loss)	29,709	29,709	(16,053)
Nonoperating revenues			
Interest income	3,160	3,160	6,001
Gain on sale of assets	2,470	2,470	-
Total Nonoperating revenues:	5,630	5,630	6,001
Nonoperating expenses:			
Interest expense	38,790	38,790	31,867
Penalties	2,500	2,500	2,500
Grant expense	-	-	25
Total Nonoperating expenses:	41,290	41,290	34,392
Net Nonoperating income:	(35,660)	(35,660)	(28,391)
Net Income	(5,951)	(5,951)	(44,444)
Retained earnings, beginning October 1	833,790	833,790	878,234
Retained earnings, ending September 30	\$ 827,839	\$ 827,839	\$833,790

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, 1999

Water and Sewer Fund

	Budget	Actual	Variance- favorable (unfavorable)
Revenue:			
Water/meter and sewer revenue	\$246,750	\$222,669	(\$24,081)
Water and sewer tie-on revenue	1,000	5,750	4,750
Interest income	150	3,160	3,010
Gain on sale of assets	-	2,470	2,470
Total revenue	247,900	234,049	(13,851)
Expenses:			
Salaries	59,000	70,912	(11,912)
Depreciation expense	-	50,381	(50,381)
Principal and interest	61,077	38,790	22,287
Utilities	24,000	25,186	(1,186)
Payroll taxes & fringe benefits	-	11,772	(11,772)
Contract labor	3,000	11,197	(8,197)
Chemicals and enzymes and lab fees	8,700	7,903	797
Property and liability insurance	-	5,161	(5,161)
Equipment, repairs, and maintenance	4,900	3,735	1,165
Vehicle expense	4,500	3,457	1,043
Miscellaneous expense	-	3,388	(3,388)
Dues, subscriptions & tuition	1,100	2,500	(1,400)
Penalties	-	2,500	(2,500)
Supplies	1,500	1,738	(238)
Office, postage, & cleaning expense	2,000	1,380	620
Workers comp. insurance	1,928	-	1,928
Total expense	171,705	240,000	(68,295)
Net income	\$ 76,195	(\$5,951)	(\$82,146)

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

CITY OF TOM BEAN, TEXAS  
STATEMENT OF CASH FLOWS-PROPRIETARY TYPE FUNDS  
Year ended September 30, 1999

	Water fund	Totals (Memorandum Only)	
		1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 230,432	\$ 230,432	\$ 197,801
Interest received	3,160	3,160	6,001
Cash paid to suppliers and employees	(149,783)	(149,783)	(175,460)
Interest paid	(39,545)	(39,545)	(33,875)
NET CASH FLOWS FROM OPERATING ACTIVITIES	44,264	44,264	(5,533)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal payments on long-term debt	(25,929)	(25,929)	(30,000)
Cash payment for asset acquisitions	(28,438)	(28,438)	-
Cash received from sale of assets	2,470	2,470	-
(Increase) decrease in funds held by other agency	11,617	11,617	31,171
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	(40,280)	(40,280)	1,171
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
(Increase) decrease in amounts due from other funds	(24,101)	(24,101)	(1,785)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	(24,101)	(24,101)	(1,785)
NET INCREASE (DECREASE) IN CASH	(20,117)	(20,117)	(6,147)
CASH AND CASH EQUIVALENTS, OCTOBER 1	939	939	7,086
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	\$ (19,178)	\$ (19,178)	\$ 939
RECONCILIATION OF NET INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
NET INCOME	\$ (5,951)	\$ (5,951)	\$ (44,444)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	50,381	50,381	50,951
(Increase) decrease in accounts receivable	(272)	(272)	(11,634)
Increase (decrease) in accrued liabilities	1,046	1,046	922
Increase (decrease) in water meter deposits	(185)	(185)	680
Increase (decrease) in interest payable	(755)	(755)	(2,008)
Total adjustments	50,215	50,215	38,911
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 44,264	\$ 44,264	\$ (5,533)

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



CITY OF TOM BEAN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 1999

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



## Notes to the Financial Statements (Continued)

its assets, liabilities, fund equity, revenues and expenses or expenditures. The City uses the following funds and groups of accounts:

### 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:

#### Water Fund

The Water 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.

## Notes to the Financial Statements (Continued)

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 funds 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 and permits revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Proprietary fund types utilize the accrual basis of accounting. 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 potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the City receives resources 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



## Notes to the Financial Statements (Continued)

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 Water 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 Water Fund is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, non-operating 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.

## Notes to the Financial Statements (Continued)

### 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 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 and cash equivalents if they are highly liquid with maturity within one year or less. As of September 30, 1999 all bank balances are entirely insured by FDIC. Bank overdrafts resulted from checks being written but not mailed on September 30, 1999.



# 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, 1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>Sept. 30, 1999</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	6,698	--	--	6,698
Machinery & equipment	<u>75,621</u>	<u>\$7,650</u>	<u>--</u>	<u>83,271</u>
	228,542	7,650	--	236,192
Accumulated deprec.	<u>(190,529)</u>	<u>(6,009)</u>	<u>--</u>	<u>(196,538)</u>
	<u>\$ 38,013</u>	<u>\$1,641</u>	<u>--</u>	<u>\$ 39,654</u>

### Proprietary Fund Fixed Assets

The following is a summary of proprietary fund fixed assets at September 30, 1999:

	<u>Oct. 1, 1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>Sept. 30, 1999</u>
Land	\$ 2,500	--	--	\$ 2,500
Water works system	555,479	--	--	555,479
Water distrib improv	133,540	--	--	133,540
Water pump	7,935	\$ 6,945	--	14,880
Furniture & fixtures	5,157	--	--	5,157
Machinery & equipment	<u>40,094</u>	<u>19,023</u>	<u>(\$3,900)</u>	<u>55,217</u>
Sewer sys	<u>997,745</u>	<u>--</u>	<u>--</u>	<u>997,745</u>
	1,742,450	25,968	--	1,768,418
Accumulated deprec.	<u>(538,340)</u>	<u>(50,381)</u>	<u>\$3,900</u>	<u>(584,821)</u>
	<u>\$1,204,110</u>	<u>(\$24,413)</u>	<u>--</u>	<u>\$1,179,697</u>

## Notes to the Financial Statements (Continued)

### C. LONG-TERM LIABILITIES AND CONTRACTUAL OBLIGATIONS

During the year ended September 30, the changes in long-term indebtedness were:

	<u>Oct.1,1998</u>	<u>Additions</u>	<u>Retired</u>	<u>Sept.30,1999</u>
<u>Water Fund</u>				
Contractual Obligations	\$395,000	- -	\$15,000	\$380,000
Bonds Payable	35,000	- -	10,000	25,000
	<u>430,000</u>		<u>25,000</u>	<u>405,000</u>
 <u>General Long-Term Debt</u>				
Notes Payable	21,786	- -	9,653	12,133
Totals	<u>\$451,786</u>	<u>- -</u>	<u>\$34,653</u>	<u>\$417,133</u>

#### BONDS PAYABLE

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.

Town of Tom Bean, Texas, Combination Tax and Waterworks and Sewer System Junior Lien Certificates of Obligation, Series 1980:

Outstanding principal as of September 30, 1999 \$25,000

The reserve sinking fund requirement for this bond is to maintain a sinking fund minimum balance of \$3,100. The City had no sinking fund reserve for this bond at September 30, 1999.

#### CONTRACTUAL 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 on October 7, 1987, 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.



## Notes to the Financial Statements (Continued)

The City has an obligation to make payments specified by the contract to GTUA to pay the principal and interest on 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 connection with the Bonds. The minimum required amount of reserve cash held by GTUA as of September 30, 1999 was \$44,120. The City's total actual cash held by GTUA as of September 30, 1999 was \$54,125. This amounts to a cash reserve surplus of \$10,005.

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 in full, are retired, and are no longer outstanding.

The original total principal obligation of the contract was \$480,000, with interest rates varying between 5.85% to 7.5%. The City's obligation to GTUA under the 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.

GTUA Contract Revenue Bonds, Series 1988:

Outstanding principal as of September 30, 1999: \$380,000

The principal and interest requirements for both bonds payable and contractual obligations for the next five fiscal years are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
9/30/2000	\$ 30,000	\$ 29,485	\$ 59,485
9/30/2001	35,000	27,525	62,525
9/30/2002	20,000	25,265	45,265
9/30/2003	25,000	23,825	48,825
9/30/2004	25,000	22,000	47,000
Thereafter	270,000	98,752	368,752
Totals	<u>\$405,000</u>	<u>\$226,852</u>	<u>\$631,852</u>

### D. PROPERTY TAXES

At September 30, 1999, current property taxes receivable was \$1,120 and property taxes receivable for prior periods amounted to \$1,081. Allowance for doubtful accounts for these receivables is set at 13%, which amounts to \$273.

Notes to the Financial Statements (Continued)

Total taxes collected for the year ended September 30, 1999 amounted to \$74,553. For the current year's tax levy, a total of 98.42% of the tax levy was collected. Deferred tax revenue in the General Fund at September 30, 1999 was \$2,091.

E. INSURED DEPOSITS

At September 30, 1999, the City the bank overdrafts at the First National Bank of Tom Bean amounted to \$34,311. Amounts insured by the FDIC total \$100,000. There are no uninsured deposits for the City.

F. SUBSEQUENT EVENTS

In a letter dated February 4, 2000, the City was notified from the Texas Department of Housing and Community Affairs that the City has been awarded a Community Development Block Grant through the Texas Community Development Program. The awarded amount is for \$146,036.



City of Tom Bean, Texas  
Schedule of City Officials  
September 30, 1999

<u>Name</u>	<u>Position</u>
David Schaab	Mayor
Ben Vincent	Mayor Pro Tem
Bobbie Moran	Council Member
Ruby Barnes	Council Member
Terry Sorensen	Council Member
Vacant	Council Member
Debbie Ellis	Secretary

Water & Sewer Rates

<u>Water Rate</u>	<u>Sewer Rate</u>
Within city limits:	
\$20.00 for 1st 2,000 gallons.	\$4.32 for 1st
\$2.17 for each additional	1,000 gallons.
1,000 gallons between 2,000	\$1.29 for each additional
and 15,000 gallons.	1,000 gallons.
\$3.00 for each additional	
1,000 gallons over 15,000	
gallons.	
Outside city limits:	
\$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.	
New connections:	
\$300 per connection	\$300 per connection

WATERWORKS AND SEWER SYSTEM  
SCHEDULE OF BOND AND CONTRACTUAL OBLIGATION REQUIREMENTS  
YEAR ENDED SEPTEMBER 30, 1999

YEAR ENDED SEPT. 30	COMBINATION TAX & WATERWORKS & SEWER SYSTEM JUNIOR LIEN CERTIF- ICATES OF OBLIGATION, SERIES 1980			
	INTEREST DUE 12/1	INTEREST DUE 6/1	PRINCIPAL DUE 6/1	TOTAL REQUIREMENTS
2000	\$ 700	\$ 700	\$ 10,000	\$ 11,400
2001	420	420	15,000	15,840
TOTALS	\$ 1,120	\$ 1,120	\$ 25,000	\$ 27,240

YEAR ENDED SEPTEMBER 30	SCHEDULE OF CONTRACTUAL OBLIGATIONS GTUA CONTRACT REVENUE BONDS SERIES 1988			
	INTEREST DUE 1/1	INTEREST DUE 7/1	PRINCIPAL DUE 7/1	TOTAL REQUIREMENTS
2000	\$ 14,042	\$ 14,043	\$ 20,000	\$ 48,085
2001	13,342	13,343	20,000	46,685
2002	12,632	12,633	20,000	45,265
2003	11,912	11,913	25,000	48,825
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	3,187	3,188	40,000	46,375
2012	1,687	1,688	45,000	48,375
TOTALS	\$ 112,303	\$ 112,309	\$ 380,000	\$ 604,612

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

# GREGG & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

118 COTTONBELT

P.O. BOX 619

TOM BEAN, TEXAS 75489-0619

VOICE (903) 546-6975 FAX (903) 546-6017

MEMBER

TEXAS SOCIETY OF CPAs

MEMBER

AMERICAN INSTITUTE OF CPAs

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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, 1999, and have issued our report thereon dated March 2, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether City of Tom Bean, Texas general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determinations of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of City of Tom Bean, Texas, in a separate letter dated March 2, 2000.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Tom Bean, Texas's internal control over financial reporting 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 over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operations of one or more of the internal control components does not reduce a relatively low level the risk that misstatements 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 material involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of City of Tom Bean, Texas, in a separate letter dated March 2, 2000.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distributions is not limited.

*Gregg & Company CPAs*

Tom Bean, Texas

March 2, 2000