

AUDITED FINANCIAL STATEMENTS
OF
CITY OF TOM BEAN
TOM BEAN, TEXAS
AT
SEPTEMBER 30, 2000

CITY OF TOM BEAN, TEXAS
Annual Financial Report
Fiscal Year Ended September 30, 2000

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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, 2000, 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, 2000, 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 January 25, 2001, 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
January 25, 2001

CITY OF TOM BEAN, TEXAS
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
September 30, 2000

ASSETS	Governmental fund type	Proprietary fund type	Account Groups		Totals (memorandum only)	
	General	Water and sewer	General fixed assets	General long-term debt	2000	1999
Cash	-	-	-	-	-	\$ 330
Receivables (net of allowance for doubtful accounts):						
Property taxes	\$ 2,534	-	-	-	\$ 2,534	1,928
Water/Sewer	-	\$ 27,420	-	-	27,420	29,176
Sundry	210	-	-	-	210	500
Due from other funds	-	90,032	-	-	90,032	28,665
Total Current assets:	2,744	117,452	-	-	120,196	60,599
Restricted assets:						
Deposits held by other agencies	-	53,775	-	-	53,775	54,125
Total Restricted assets	-	53,775	-	-	53,775	54,125
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	-	55,219	2,955	-	58,174	61,915
Furniture & fixtures	-	1,500	83,271	-	84,771	88,428
Sewer system	-	1,006,214	-	-	1,006,214	997,745
Water pump	-	17,165	-	-	17,165	14,880
Water system	-	555,479	-	-	555,479	555,479
Water distribution improvements.	-	133,540	-	-	133,540	133,540
	-	1,771,617	232,449	-	2,004,066	2,000,710
Accumulated depreciation	-	(633,641)	(199,955)	-	(833,596)	(781,359)
Total Property, plant and equipment:	-	1,137,976	32,494	-	1,170,470	1,219,351
Amount to be provided	-	-	-	\$ 2,418	2,418	12,133
Total assets	\$ 2,744	\$ 1,309,203	\$ 32,494	\$ 2,418	\$ 1,346,859	\$ 1,346,208

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, 2000

	Governmental fund type	Proprietary fund type	Account Groups		Totals (memorandum only)	
	General	Water and sewer	General fixed assets	General long-term debt	2000	1999
LIABILITIES						
Current liabilities						
Bank overdrafts	\$ 6,693	\$ 20,731	-	-	\$ 27,424	\$ 34,311
Accrued liabilities	3,649	402	-	-	4,051	1,328
Other accounts payable	702	11,553	-	-	12,255	10,420
Customer water deposits	-	16,755	-	-	16,755	16,855
Notes Payable - First Nat'l Bank	-	1,675	-	\$ 2,418	4,093	16,204
Due to other funds	90,032	-	-	-	90,032	28,665
Water and sewer bonds (current)	-	15,000	-	-	15,000	10,000
Contractual obligations - (current)	-	20,000	-	-	20,000	20,000
Bond interest payable	-	6,235	-	-	6,235	7,254
Deferred revenues	-	-	-	-	-	2,091
Total current liabilities	101,076	92,351	-	2,418	195,845	147,128
Long-term debt:						
Water and sewer bonds - long term	-	-	-	-	-	15,000
Contracted obligations - long term (Note C)	-	340,000	-	-	340,000	360,000
Total liabilities	101,076	432,351	-	2,418	535,845	522,128
FUND EQUITY						
Investment in fixed assets	-	-	\$ 32,494	-	32,494	39,654
Fund balance: unrestricted	(98,332)	-	-	-	(98,332)	(43,413)
Retained earnings: unrestricted	-	876,852	-	-	876,852	827,839
Total fund equity	(98,332)	876,852	32,494	-	811,014	824,080
Total liabilities and fund equity	\$ 2,744	\$1,309,203	\$ 32,494	\$2,418	\$1,346,859	\$1,346,208

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, 2000

	Governmental fund types	Totals (Memorandum only)	
	General	2000	1999
Revenues:			
Property tax revenue	\$ 81,928	\$ 81,928	\$ 74,553
Franchise permits	25,480	25,480	23,090
Court fees income	24,934	24,934	43,097
Sales tax revenue	23,803	23,803	21,140
Insurance claim revenue	2,921	2,921	12,674
Other income	1,884	1,884	50
Building permit revenue	425	425	421
Interest income	188	188	427
Sanitation revenue	-	-	1,140
Grant income	-	-	28,569
	161,563	161,563	205,161
General Expenditures:			
Other expenditures	28,993	28,993	12,234
Utilities	23,630	23,630	18,318
Salaries	20,725	20,725	22,838
Street department	14,722	14,722	8,852
Property & liability insurance	7,287	7,287	7,043
Contract labor	6,098	6,098	2,463
Payroll taxes & fringe benefits	4,538	4,538	3,465
Office supplies and postage expense	3,462	3,462	5,610
Licences, permits, fees	2,810	2,810	2,433
Audit	1,500	1,500	3,000
Total general expenditures	113,765	113,765	86,256
Police department:			
Salaries	69,634	69,634	83,172
Vehicle expense	12,269	12,269	23,707
Municipal court expense	8,861	8,861	18,213
Employee fringe benefits	7,710	7,710	6,015
Other expenditures	4,243	4,243	15,891
Total police expenditures	102,717	102,717	146,998
Total expenditures	216,482	216,482	233,254
Excess of revenues over (under) expenditures	(54,919)	(54,919)	(28,093)
Fund balances, beginning October 1	(43,413)	(43,413)	(15,320)
Fund balances, ending September 30	\$ (98,332)	\$ (98,332)	\$ (43,413)

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, 2000

General Fund

	Budget	Actual	Variance- favorable (unfavorable)
Revenues:			
Property tax revenue	\$ 80,220	\$ 80,729	\$ 509
Franchise tax revenue	25,480	25,480	-
Court fee revenue	23,620	24,934	1,314
Sales tax revenue	23,800	23,803	3
Insurance claim revenue	1,501	2,921	1,420
Other	-	1,884	1,884
Property tax - penalty and interest	-	1,199	1,199
Building permit revenue	425	425	-
Interest income	200	188	(12)
Grant income	13,884	-	(13,884)
Total revenues	169,130	161,563	(7,567)
Expenditures:			
General expenditures:			
Other	62,986	59,874	3,112
Utilities	20,785	23,630	(2,845)
Salaries	20,725	20,573	152
Police department:			
Salaries	70,000	69,634	366
Vehicle expense	14,000	12,269	1,731
Payroll tax and emp. Benefits	10,000	7,711	2,289
Court fees and expenses	7,060	7,061	(1)
Other	2,400	2,208	192
Street department:			
Salaries	10,000	11,663	(1,663)
Other	1,700	1,859	(159)
Total expenditures	219,656	216,482	3,174
Excess of revenues over (under) expenditures	\$ (50,526)	\$ (54,919)	\$ (4,393)

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, 2000

EXHIBIT D

	Water and Sewer	Totals (NOTE A) 2000	1999
Operating revenues:			
Water, sewer and sanitation revenue	\$260,103	\$260,103	\$222,669
Water and sewer tie-on revenue	6,810	6,810	5,750
Total Operating revenues	266,913	266,913	228,419
Operating expenses:			
Depreciation expense	52,478	52,478	50,381
Salaries	39,023	39,023	70,912
Sanitation contract	35,969	35,969	-
Utilities	23,745	23,745	25,186
Insurance	11,438	11,438	5,161
Material and supplies	10,754	10,754	1,738
Chemicals, enzymes, lab expense	6,170	6,170	7,903
Payroll taxes & fringe benefits	5,512	5,512	11,772
Contract labor	5,364	5,364	11,197
Equipment, repairs, and maintenance	2,868	2,868	3,735
Bad debt	2,047	2,047	-
Vehicle expense	2,045	2,045	3,457
Legal, dues, permits, subscriptions, education	1,864	1,864	2,500
Office, postage & cleaning expense	1,167	1,167	1,380
Miscellaneous expense	790	790	3,388
Total Operating expenses	201,234	201,234	198,710
Operating income (loss)	65,679	65,679	29,709
Nonoperating revenues			
Grant income	11,202	11,202	-
Interest income	338	338	3,160
Other income	260	260	2,470
Total Nonoperating revenues:	11,800	11,800	5,630
Nonoperating expenses:			
Interest expense	28,466	28,466	38,790
Penalties	-	-	2,500
Total Nonoperating expenses:	28,466	28,466	41,290
Net Nonoperating income:	(16,666)	(16,666)	(35,660)
Net Income	49,013	49,013	(5,951)
Retained earnings, beginning October 1	827,839	827,839	833,790
Retained earnings, ending September 30	<u>\$ 876,852</u>	<u>\$ 876,852</u>	<u>\$827,839</u>

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, 2000

	Water and Sewer Fund		
	Budget	Actual	Variance- favorable (unfavorable)
Revenue:			
Water/meter and sewer revenue	\$255,280	\$260,103	\$4,823
Grant income	-	11,202	11,202
Water and sewer tie-on revenue	6,610	6,810	200
Interest income	300	338	38
Other income	260	260	-
Total revenue	262,450	278,713	16,263
Expenses:			
Salaries	40,000	39,023	977
Depreciation expense	-	52,478	(52,478)
Principal and interest	59,620	28,466	31,154
Utilities	25,000	23,745	1,255
Sanitation contract	35,970	35,969	1
Payroll taxes & fringe benefits	5,300	5,512	(212)
Contract labor	5,000	5,364	(364)
Chemicals and lab fees	6,680	6,170	510
Property and liability insurance	10,031	11,438	(1,407)
Equipment, repairs, and maintenance	2,500	2,868	(368)
Vehicle expense	2,000	2,045	(45)
Miscellaneous expense	-	790	(790)
Dues, subscriptions & tuition	2,000	1,864	136
Bad debt	-	2,047	(2,047)
Supplies	9,000	10,754	(1,754)
Office, postage, & cleaning expense	1,000	1,167	(167)
Total expense	204,101	229,700	(25,599)
Net income	\$ 58,349	\$49,013	(\$9,336)

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, 2000

	Water fund	Totals (Memorandum Only)	
		2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 49,013	\$ 49,013	\$ (5,951)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	52,478	52,478	50,381
Decrease/(increase) in assets:			
Accounts receivable	1,756	1,756	(272)
Restricted cash	350	350	11,617
Increase (decrease) in liabilities:			
Accounts payable	489	489	1,046
Water meter deposits	(100)	(100)	(185)
Interest payable	(1,019)	(1,019)	(755)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	102,967	102,967	55,881
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
(Increase) decrease in amounts due from other funds	(60,107)	(60,107)	(24,101)
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	(60,107)	(60,107)	(24,101)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Cash paid for bond principal	(30,000)	(30,000)	(25,929)
Cash paid for capital asset acquisitions	(10,756)	(10,756)	(28,438)
Disposal of capital assets	(3,657)	(3,657)	2,470
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(44,413)	(44,413)	(51,897)
NET INCREASE (DECREASE) IN CASH	(1,553)	(1,553)	(20,117)
Cash at beginning of year	(19,178)	(19,178)	939
Cash at end of year	\$ (20,731)	\$ (20,731)	\$ (19,178)

Supplemental disclosures of cash flow information:

Debt and fixed assets note: During 2000, the City incurred and paid interest costs of \$28,466.

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

CITY OF TOM BEAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2000

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 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.

Notes to the Financial Statements (Continued)

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 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

Notes to the Financial Statements (Continued)

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 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

Notes to the Financial Statements (Continued)

established for delinquent taxes to the extent that their collectibility is improbable.

6. Property, Plant and Equipment

General Fixed Assets Account Group -

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

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

Water and Sewer System -

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

Depreciation has been calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation in the year of acquisition.

Estimated useful lives are as follows:

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

Notes to the Financial Statements (Continued)

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 ninety days or less. As of September 30, 2000 all bank balances are entirely insured by FDIC. Bank overdrafts resulted from checks being written but not mailed on September 30, 2000.

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,</u> <u>1999</u>	<u>Additions</u>	<u>Deductions</u>	<u>Sept. 30,</u> <u>2000</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	--	(\$3,743)	2,955
Machinery & equipment	<u>83,271</u>	<u>--</u>	<u>--</u>	<u>83,271</u>
	236,192	--	(3,743)	232,449
Accumulated deprec.	<u>(196,538)</u>	<u>(7,160)</u>	<u>\$3,743</u>	<u>(199,955)</u>
	<u>\$ 39,654</u>	<u>(\$7,160)</u>	<u>--</u>	<u>\$ 32,494</u>

Notes to the Financial Statements (Continued)

Proprietary Fund Fixed Assets

The following is a summary of proprietary fund fixed assets at September 30, 2000:

	<u>Oct. 1,</u> <u>1999</u>	<u>Additions</u>	<u>Deductions</u>	<u>Sept. 30,</u> <u>2000</u>
Land	\$ 2,500	--	--	\$ 2,500
Water works system	555,479	--	--	555,479
Water distrib improv	133,540	--	--	133,540
Water pump	14,880	\$2,285	--	17,165
Furniture & fixtures	5,157	--	(\$3,658)	1,499
Machinery & equipment	55,217	--	--	55,217
Sewer sys	<u>997,745</u>	<u>8,470</u>	<u>--</u>	<u>997,745</u>
	1,764,518	10,755	(3,658)	1,771,615
Accumulated deprec.	<u>(584,821)</u>	<u>(52,478)</u>	<u>\$3,658</u>	<u>(633,641)</u>
	<u>\$1,179,697</u>	<u>(\$41,723)</u>	<u>--</u>	<u>\$1,137,974</u>

C. LONG-TERM LIABILITIES AND CONTRACTUAL OBLIGATIONS

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

	<u>Oct.1,1999</u>	<u>Additions</u>	<u>Retired</u>	<u>Sept.30,2000</u>
<u>Water Fund</u>				
Contractual Obligations	\$380,000	- -	(\$20,000)	\$360,000
Bonds Payable	<u>25,000</u>	<u>- -</u>	<u>(10,000)</u>	<u>15,000</u>
	<u>405,000</u>		<u>(35,000)</u>	<u>375,000</u>
<u>General Long-Term Debt</u>				
Notes Payable	<u>12,133</u>	<u>- -</u>	<u>(9,715)</u>	<u>2,418</u>
Totals	<u>\$417,133</u>	<u>- -</u>	<u>(\$44,715)</u>	<u>\$372,418</u>

Notes to the Financial Statements (Continued)

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, 2000	<u>\$15,000</u>
--	-----------------

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, 2000.

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. 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.

Under terms of the contract, the City's obligation to make payments to GTUA, as well as GTUA's ownership interest in the

Notes to the Financial Statements (Continued)

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. Cash reserved by GTUA for future payments amounts to \$18,211.

GTUA Contract Revenue Bonds, Series 1988:

Outstanding principal as of September 30, 2000: \$360,000

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>
9/30/2001	35,000	27,805	62,805
9/30/2002	20,000	25,685	45,685
9/30/2003	25,000	23,825	48,825
9/30/2004	25,000	22,000	47,000
9/30/2005	25,000	20,162	45,162
Thereafter	<u>245,000</u>	<u>78,590</u>	<u>323,590</u>
Totals	<u>\$375,000</u>	<u>\$198,067</u>	<u>\$573,067</u>

D. PROPERTY TAXES

At September 30, 2000, current property taxes receivable was \$1,773 and property taxes receivable for prior periods amounted to \$1,034. Allowance for doubtful accounts for these receivables are set at 10%, which amounts to \$273.

Total taxes collected for the year ended September 30, 2000 amounted to \$79,341. For the current year's tax levy, a total of 97.75% of the tax levy was collected.

Notes to the Financial Statements (Continued)

E. INSURED DEPOSITS

At September 30, 2000, the City bank overdrafts at the First National Bank of Tom Bean amounted to \$31,536. At September 30, 2000, the City had two certificates of deposit at the First National Bank of Tom Bean. These amounts totaled \$3,781. Amounts insured by the FDIC total \$100,000. There are no uninsured deposits for the City.

F. PENSION PLAN

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 731 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of employee's accumulated contributions. In addition, the City can grant as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest

Notes to the Financial Statements (Continued)

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. The GTUA cash reserve requirement is \$44,091, and is fully funded at September 30, 2000.

GTUA Contract Revenue Bonds, Series 1988:

Outstanding principal as of September 30, 2000: \$360,000

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>
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Total taxes collected for the year ended September 30, 2000 amounted to \$79,341. For the current year's tax levy, a total of 97.75% of the tax levy was collected.

City of Tom Bean, Texas
Schedule of City Officials
September 30, 2000

<u>Name</u>	<u>Position</u>
David Schaab	Mayor
Terry Sorensen	Mayor Pro Tem
Bobbie Moran	Council Member
Ruby Barnes	Council Member
Rebecca Blomstedt	Council Member
Ben Vincent	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.	
Existing connections:	
\$100 non-refundable water turn-on fee	
New connections:	
\$400 per connection	\$300 per connection

WATERWORKS AND SEWER SYSTEM
SCHEDULE OF BOND AND CONTRACTUAL OBLIGATION REQUIREMENTS
YEAR ENDED SEPTEMBER 30, 2000

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
2001	420	\$ 420	\$ 15,000	15,840
TOTALS	\$ 1,120	\$ 420	\$ 15,000	\$ 16,540

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
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	\$ 98,261	\$ 98,266	\$ 360,000	\$ 556,527

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

City of Tom Bean
Schedule of Actuarial Liabilities and Funding Progress
For the Year Ended September 30, 2000

Actuarial Valuation Date	12/31/99
Actuarial Value of Assets	\$ 11,831
Actuarial Accrued Liability	\$ 35,730
Percentage Funded	33.1%
(Unfunded) Overfunded Actuarial Accrued Liability (UAAL)	\$ (23,899)
Annual Covered Payroll	\$ 140,847
UAAL as a Percentage of Covered Payroll	17.0%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -
Annual Pension Cost:	
Annual required contribution (ARC)	\$ 10,711
Interest on NPO	\$ -
Adjustment to the ARC	\$ 10,711
Contributions Made	\$ 10,711
Increase in NPO	\$ -
NPO at the end of the period	<u>\$ -</u>

Actuarial Assumptions

Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years -- Open Period
Asset Valuation method	Amortized Cost (to accurately reflect the requirements of GASB stmt, No. 25, paragraphs 36e and 138)
Investment Rate of Return	8%
Projected Salary Increases	None
Includes Inflation At -	None
Cost of Living Adjustments	None

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, 2000, and have issued our report thereon dated January 25, 2001. 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 January 25, 2001.

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 January 25, 2001.

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
January 25, 2001

AGENDA - REGULAR MEETING
TOM BEAN COUNCIL
104 S BRITTON, TOM BEAN, TX 75170
<http://home.texoma.net/~tombean>
7:00 p.m. / Monday, February 5, 2001

1 PREPARATORY

- 1.1 Roll Call & Declaration of Quorum
- 1.2 Opening Prayer
- 1.3 Citizen Participation
- 1.4 Visitor Participation

2 REPORTS

- 2.1 Public Works Department
- 2.2 Police Department
- 2.3 Mayor's Report and Budget Actions
- 2.4 Project Status
 - 2.4.1 Bonham Street -- may have discussion / action items associated
 - 2.4.2 Sewer Plant -- Status from state
 - 2.4.3 Road Project -- Legal letter, Specific Engineering, County Assistance

3 DISCUSSION AND ACTION ITEMS

Items listed in this section are subject to discussion and further action as deemed necessary by the council. If there are no Discussion and Action Items, then the agenda shall state NONE.

- 3.1 Minutes
 - 3.1.1 Regular Session, December 4, 2000
 - 3.1.2 Regular Session, January 8, 2001
- 3.2 Audit
- 3.3 Brad Lowe and City Lot -- easement

4 ORDINANCE ACTIONS

Items listed in this section are ordinance subject to discussion and further action as deemed necessary by the council. If there are no Ordinance Actions, then the agenda shall state NONE.

- 4.1 NONE

5 PERSONNEL ACTIONS

Council may adjourn to Executive Session in accordance with article 551.074 of the government code of the State of Texas to discuss and act on the following. If there are no Personnel Action items, then the agenda shall state NONE and the Council will not adjourn to Executive Session.

- 5.1 NONE

6 COUNCIL AND MAYOR COMMENTS

- 6.1 Items from the Council
- 6.2 Items from the Mayor
 - 6.2.1 Application for filing for council seat -- February 19 - March 21
 - 6.2.2 Meeting with AFLAC -- 18 January -- CANCELED
 - 6.2.3 Holiday -- 19 February
 - 6.2.4 Next Regular Session, Monday, March 5, 2001, 7:00 p.m.

7 ADJOURNMENT

Posted at 1:30pm 2-2-2001
(time) (date)


DEBBIE ELLIS, CITY SECRETARY

AGENDA - REGULAR MEETING
TOM BEAN COUNCIL CLERK
104 S BRITTON, TOMB BEAN, TX 75781
<http://home.texoma.net/~tombean>
7:00 p.m. / Monday, February 2, 2001

1 PRESENTATION

- 1.1 Roll Call & Declaration of Quorum
- 1.2 Opening Prayer
- 1.3 Citizen Participation
- 1.4 Visitor Participation

2 REPORTS

- 2.1 Public Works Department
- 2.2 Police Department
- 2.3 Mayor's Report and Budget Actions
- 2.4 Project Status
 - 2.4.1 Bonham Street -- may have discussion / action items associated
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7 ADJOURNMENT

Posted at 1:30 p.m. 2-2-2001
(time) (date)


DEBBIE ELLIS, CITY SECRETARY

GREGG & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

118 Cottonbelt

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TOM BEAN, TEXAS 75489-0619

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

MEMBER

TEXAS SOCIETY OF CPAs

MEMBER

AMERICAN INSTITUTE OF CPAs

January 25, 2000

To the Tom Bean City Council:

Subject: Management Letter

In planning and performing our audit of the financial statements of City of Tom Bean, Texas, for the year ended September 30, 2000, we considered City of Tom Bean's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the audited financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of some matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated January 25, 2001, on the financial statements of City of Tom Bean. These minor recommendations should in no way be construed as derogatory toward management.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,



Gregg & Company, CPAs

Management Letter Points

1. We recommend that the City of Tom Bean discontinue the policy of allowing the use of city credit for city employees to obtain discounts on the purchase of personal items.
2. We recommend that the City of Tom Bean begin to budget revenues and expenses separately for the General and Water Funds.

GREGG & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

MEMBER

TEXAS SOCIETY OF CPAs

MEMBER

AMERICAN INSTITUTE OF CPAs

January 25, 2001

To the Mayor and City Council of the
City of Tom Bean, Texas
Tom Bean, Texas

Professional standards require that we provide you with the following information related to our audit. We have audited the general purpose financial statements of City of Tom Bean, Texas, for the year ended September 30, 2000, and have issued our report thereon dated January 25, 2001.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated November 3, 1998, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of City of Tom Bean, Texas. Such considerations were solely for the purpose of determining audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection and the use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. We noted no transactions entered into by City of Tom Bean, Texas, during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you,

or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. We evaluated the key factors and assumptions used to develop the allowance for bad debts in determining that it is reasonable in relation to the financial statements taken as a whole.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Organization that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed a significant number of audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the City's financial reporting process. These adjustments are addressed in the management recommendation letter.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We are pleased to report that we encountered no significant difficulties in performing and completing our audit.

This information is intended solely for the use of the City Council and administration of City of Tom Bean, Texas, and should not be used for any other purpose.

Sincerely,

Gregg & Company CPAs

Gregg and Company, CPA's