

**AUDITED FINANCIAL STATEMENTS**  
**OF THE CITY OF TOM BEAN, TEXAS**  
**AT SEPTEMBER 30, 2003**

CITY OF TOM BEAN, TEXAS  
Annual Financial Report  
Fiscal Year Ended September 30, 2003

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Tom Bean, TX

We have audited the accompanying general-purpose financial statements of City of Tom Bean, Texas, as of and for the year ended September 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the 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 auditing standards generally accepted in the United States of America 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 above present fairly, in all material respects, the financial position of City of Tom Bean, Texas, as of September 30, 2003, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2003, on our consideration of City of Tom Bean, Texas internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole and on the combining and individual fund and account group financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the 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 financial statements of each of the respective individual funds and account groups taken as a whole.

*Gregg & Company CPAs*

Tom Bean, Texas  
October 27, 2003



CITY OF TOM BEAN, TEXAS  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
September 30, 2003

ASSETS	Governmental fund type	Proprietary fund type	Account Groups		Totals (memorandum only)	
	General	Water and sewer	General fixed assets	General long-term debt	2003	2002
Cash (Note E)	\$ 24,729	\$ 7,948	-	-	\$ 32,677	\$ 41,307
Receivables (net of allowance for doubtful accounts):						
Property taxes	3,150	-	-	-	3,150	4,372
Water/Sewer	-	26,012	-	-	26,012	25,722
Other	65	-	-	-	65	65
Prepaid expenses	681	18,894	-	-	19,575	18,708
Due from other funds	-	32,102	-	-	32,102	77,420
Total current assets:	28,625	84,956	-	-	113,581	167,594
Restricted assets:						
Deposits held by GTUA	-	105,550	-	-	105,550	114,950
Total restricted assets	-	105,550	-	-	105,550	114,950
Property, plant and equipment: (Note B)						
Land	-	2,500	\$ 10,000	-	12,500	12,500
City park	-	-	46,223	-	46,223	46,223
Buildings	-	-	88,914	-	88,914	-
Improvements other than buildings	-	-	86,282	-	86,282	70,000
Machinery and equipment	-	53,718	133,351	-	187,069	187,069
Furniture & fixtures	-	1,500	21,199	-	22,699	8,033
Sewer system	-	1,595,725	-	-	1,595,725	1,167,797
Water system	-	570,344	-	-	570,344	572,644
Water distribution improvements	-	133,540	-	-	133,540	133,540
Construction in progress	-	-	-	-	-	438,942
	-	2,357,327	385,969	-	2,743,296	2,636,748
Accumulated depreciation	-	(815,265)	(216,740)	-	(1,032,005)	(937,798)
Total property, plant, and equipment	-	1,542,062	169,229	-	1,711,291	1,698,950
Amount to be provided	-	-	-	\$ 45,391	45,391	60,554
Total assets	\$ 28,625	\$ 1,732,568	\$ 169,229	\$ 45,391	\$ 1,975,813	\$ 2,042,048

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, 2003

	Governmental fund type	Proprietary fund type	Account Groups		Totals (memorandum only)	
	General	Water and sewer	General fixed assets	General long-term debt	2003	2002
<u>LIABILITIES</u>						
Current liabilities						
Accrued liabilities	\$ 5,230	\$ 5,123	-	-	\$ 10,353	\$ 27,920
Other accounts payable	800	2,497	-	-	3,297	47,190
Customer water deposits	-	20,923	-	-	20,923	17,960
Due to other funds	32,102	-	-	-	32,102	77,420
Contractual obligations - (current)	-	30,000	-	-	30,000	30,000
Capital lease - (current)	-	-	-	\$ 14,268	14,268	15,164
Deferred revenue - taxes	3,152	-	-	-	3,152	4,372
Bond interest payable	-	11,202	-	-	11,202	11,706
Total current liabilities	41,284	69,745	-	14,268	125,297	231,732
Long-term debt:						
Capital lease - long term (Note G)	-	-	-	31,123	31,123	45,390
Contracted obligations - long term (Note C)	-	750,000	-	-	750,000	780,000
Total long term liabilities	-	750,000	-	31,123	781,123	825,390
Total liabilities	41,284	819,745	-	45,391	906,420	1,057,122
<u>FUND EQUITY</u>						
Investment in general fixed assets	-	-	\$ 169,229	-	169,229	73,948
Fund balance - unrestricted (Note I)	(12,659)	-	-	-	(12,659)	(56,805)
Retained earnings - unrestricted	-	912,823	-	-	912,823	967,783
Total fund equity	(12,659)	912,823	169,229	-	1,069,393	984,926
Total liabilities and fund equity	\$ 28,625	\$ 1,732,568	\$ 169,229	\$ 45,391	\$ 1,975,813	\$ 2,042,048

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, 2003

	Governmental fund types	Totals (Memorandum only)	
	General	2003	2002
<u>Revenues:</u>			
Property tax revenue (Note D)	\$ 99,611	\$ 99,611	\$ 122,501
Franchise fees	35,667	35,667	30,020
Court fees income	32,729	32,729	71,939
Sales tax revenue	23,451	23,451	23,845
Donations	7,816	7,816	-
Miscellaneous income	3,754	3,754	7,556
Building permit revenue	2,595	2,595	852
Property tax-penalty and interest	2,100	2,100	1,743
Interest income	592	592	499
Total revenues	208,315	208,315	258,955
<u>General Expenditures:</u>			
Capital outlay - New city hall	100,089	100,089	-
Miscellaneous expense	16,626	16,626	11,859
Payroll tax and health insurance	14,281	14,281	20,842
Utilities	12,239	12,239	3,690
Property and liability insurance	8,682	8,682	6,344
City hall rent	6,500	6,500	-
Office supplies and postage	5,608	5,608	3,695
Licenses, permits, and fees	4,927	4,927	2,817
Legal and accounting	2,567	2,567	7,398
Salaries	2,282	2,282	1,255
Contract labor	2,034	2,034	15,452
Total general expenditures	175,835	175,835	73,352
<u>Police department:</u>			
Salaries	51,802	51,802	53,178
Capital outlay - Police cars (Note G)	15,164	15,164	60,554
Municipal court expense	8,253	8,253	15,894
Vehicle expense	4,943	4,943	7,403
Payroll tax and health insurance	3,916	3,916	5,848
Miscellaneous expense	3,817	3,817	1,615
Interest	1,794	1,794	-
Total police expenditures	89,689	89,689	144,492
<u>Street department:</u>			
Street repairs and improvements	4,807	4,807	68,437
Total street department expenditures	4,807	4,807	68,437
Total expenditures	270,331	270,331	286,281
Excess of revenues over (under) expenditures	(62,016)	(62,016)	(27,326)
<u>Other financing sources (uses):</u>			
Capital lease - Police cars (Note G)	-	-	60,554
<u>Extraordinary items:</u>			
Extraordinary gain - Insurance proceeds (Note H)	106,162	106,162	11,205
Excess of revenues and other sources over (under) expenditures and other uses	44,146	44,146	44,433
Fund balances, beginning October 1	(56,805)	(56,805)	(101,238)
Fund balances, ending September 30	\$ (12,659)	\$ (12,659)	\$ (56,805)

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, 2003

	General Fund		
	Budget	Actual	Variance- favorable (unfavorable)
<u>Revenues:</u>			
Extraordinary gain - Insurance proceeds (Note H)	-	\$ 106,162	\$ 106,162
Property tax revenue (Note D)	\$ 92,424	99,611	7,187
Franchise tax revenue	35,000	35,667	667
Court fee revenue	15,000	32,729	17,729
Sales tax revenue	20,000	23,451	3,451
Donations and other income	-	11,570	11,570
Building permit revenue	700	2,595	1,895
Property tax - penalty and interest	-	2,100	2,100
Interest income	400	592	192
Total revenues	163,524	314,477	150,953
<u>Expenditures:</u>			
<u>General Expenditures:</u>			
Capital outlay - New city hall	-	100,089	(100,089)
Retirement and other	2,954	17,235	(14,281)
Utilities	15,000	12,239	2,761
Property, worker's comp., and other insurance	5,723	11,774	(6,051)
Payroll tax and health insurance	-	8,635	(8,635)
City hall rent	-	6,500	(6,500)
Office equip., supplies, and postage	3,600	5,608	(2,008)
Licenses, fees, and training	2,850	4,927	(2,077)
Legal and accounting	3,375	2,567	808
Salaries	-	2,282	(2,282)
Contract labor - Fire dept. and other	1,200	2,034	(834)
Advertising	800	1,945	(1,145)
<u>Police department</u>			
Salaries	52,000	51,802	198
Capital outlay - Police cars	15,164	15,164	-
Municipal court expense	8,700	8,253	447
Vehicle expense	6,794	4,943	1,851
Payroll tax and health insurance	17,087	3,916	13,171
Other	-	3,094	(3,094)
Interest	-	1,794	(1,794)
Supplies	500	723	(223)
<u>Street department</u>			
Street repairs and improvements	3,000	4,807	(1,807)
Total expenditures	138,746	270,331	(131,585)
Excess of revenues over (under) expenditures	\$ 24,778	\$ 44,146	\$ 19,368

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, 2003

	Water and Sewer	Totals (NOTE A) 2003	2002
<u>Operating revenues:</u>			
Water revenue	\$ 147,891	\$ 147,891	\$ 143,655
Sewer revenue	83,840	83,840	81,997
Sanitation revenue	31,958	31,958	32,153
Water and sewer tie-on revenue	5,170	5,170	3,952
Total Operating revenues	268,859	268,859	261,757
<u>Operating expenses:</u>			
Salaries	74,860	74,860	80,951
Depreciation expense	71,926	71,926	59,026
Utilities	56,236	56,236	65,928
Sanitation contract	27,233	27,233	33,867
Payroll tax and health insurance	17,625	17,625	12,289
Material and supplies	10,151	10,151	15,976
Bad debt	7,319	7,319	-
Contract labor	6,653	6,653	15,107
Chemicals and lab expense	6,515	6,515	5,816
Vehicle expense	4,503	4,503	3,687
Miscellaneous expense	4,283	4,283	1,415
Dues, permits, subscriptions, and education	2,100	2,100	2,646
Postage	1,724	1,724	1,226
Equipment, repairs, and maintenance	692	692	7,308
Total Operating expenses	291,820	291,820	305,242
Operating income (loss)	(22,961)	(22,961)	(43,485)
<u>Non-operating revenues</u>			
Insurance claim and other	9,449	9,449	11,436
Grant income	3,066	3,066	-
Gain on sale of assets	2,300	2,300	-
Interest income	54	54	52
Total Nonoperating revenues:	14,869	14,869	11,488
<u>Non-operating expenses:</u>			
Interest expense	45,814	45,814	50,151
Bond issuance costs	1,054	1,054	1,007
Total Nonoperating expenses:	46,868	46,868	51,158
Net Non-operating income:	(31,999)	(31,999)	(39,670)
Net Income	(54,960)	(54,960)	(83,155)
Retained earnings, beginning October 1	967,783	967,783	1,050,938
Retained earnings, ending September 30	\$ 912,823	\$ 912,823	\$ 967,783

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 FUND)  
 Year ended September 30, 2003

	Water Fund		
	Budget	Actual	Variance- favorable (unfavorable)
<u>Revenue:</u>			
Water revenue	\$ 140,000	\$ 147,891	\$ 7,891
Sewer revenue	75,000	83,840	8,840
Sanitation revenue	39,000	31,958	(7,042)
Insurance claims and other	-	9,449	9,449
Water and sewer connections	2,500	5,170	2,670
Grant revenue	-	3,066	3,066
Gain on sale of asset	-	2,300	2,300
Interest	-	54	54
Total revenue	256,500	283,728	27,228
<u>Expenses:</u>			
Salaries	76,020	74,860	1,160
Depreciation expense (Note A)	-	71,926	(71,926)
Utilities	32,000	56,236	(24,236)
Bond interest	46,823	45,814	1,009
Sanitation contract	36,000	27,233	8,767
Payroll tax and health insurance	17,308	14,830	2,478
Supplies	5,000	10,151	(5,151)
Retirement, audit, and other	4,729	7,680	(2,951)
Bad debt	-	7,319	(7,319)
Contract labor	3,200	6,653	(3,453)
Chemicals and lab fees	7,200	6,515	685
Vehicle expense	3,800	4,503	(703)
Dues, permits, subscriptions, and education	2,900	2,100	800
Postage	1,000	1,724	(724)
Equipment, repairs, and maintenance	2,700	692	2,008
Property and worker's comp. insurance	4,159	452	3,707
Total expense	242,839	338,688	(95,849)
Net income	\$ 13,661	\$ (54,960)	\$ (68,621)

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

CITY OF TOM BEAN, TEXAS  
STATEMENT OF CASH FLOWS - PROPRIETARY TYPE FUNDS  
For the year ended September 30, 2003

		Totals (Memorandum Only)	
	2003	2003	2002
Cash flows from operating activities:			
Net income	\$ (54,960)	\$ (54,960)	\$ (83,155)
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation	71,926	71,926	59,026
Decrease (increase) in receivables	(290)	(290)	(5,924)
Decrease (increase) in restricted cash	9,400	9,400	422,981
Decrease (increase) in prepaid expenses	(186)	(186)	1,010
Decrease (increase) in amounts due from General Fund	45,318	45,318	60,962
Increase (decrease) in accounts payable	(46,157)	(46,157)	4,257
Increase (decrease) in accrued interest	(504)	(504)	1,699
Increase (decrease) in customer water deposits	2,963	2,963	1,305
Net cash provided by operating activities	27,510	27,510	462,161
Cash flows from noncapital financing activities:			
Net cash provided by noncapital financing activities	-	-	-
Cash flows from capital and related financing activities:			
Principal repayments	(30,000)	(30,000)	(25,000)
Net cash used for capital and related financing activities	(30,000)	(30,000)	(25,000)
Cash flows from investing activities:			
Proceeds from sale of equipment	2,300	2,300	-
Payments for water & sewer system construction	-	-	(438,932)
Net cash provided by investing activities	2,300	2,300	(438,932)
Net increase (decrease) in cash	(190)	(190)	(1,771)
Cash at the beginning of the year	8,138	8,138	9,909
Cash at the end of the year	\$ 7,948	\$ 7,948	\$ 8,138

Supplemental disclosures of cash flow information:

For the years ended September 30, 2002 and 2003, the City paid interest cost of \$48,452 and \$46,318, respectively.



CITY OF TOM BEAN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2003

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.



## Notes to the Financial Statements (Continued)

### 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 also are recognized as revenue. Fines and permits



## Notes to the Financial Statements (Continued)

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

## Notes to the Financial Statements (Continued)

### 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.

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>2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Sept. 30,</u> <u>2003</u>
Land	\$ 10,000	--	--	\$ 10,000
City park	46,223	--	--	46,223
Buildings	--	\$88,914	--	88,914
Improv. other than bldgs	70,000	16,282	--	86,282
Furniture & fixtures	6,533	14,666	--	21,199
Machinery & Equipment	<u>133,351</u>	<u>--</u>	<u>--</u>	<u>133,351</u>
	266,107	119,862	--	385,969
Accum. deprec.	<u>(192,159)</u>	<u>(24,581)</u>	<u>--</u>	<u>(216,740)</u>
	<u>\$ 73,948</u>	<u>\$95,281</u>	<u>--</u>	<u>\$169,229</u>

Notes to the Financial Statements (Continued)

Proprietary Fund Fixed Assets

The following is a summary of proprietary fund fixed assets at September 30, 2003:

	<u>Oct. 1,</u> <u>2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Sept. 30,</u> <u>2003</u>
Land	\$ 2,500	--	--	\$ 2,500
Water system	555,479	--	--	555,479
Water improv's	133,540	--	--	133,540
Water pump	17,165	--	\$ (2,300)	14,865
Furniture & fixtures	1,500	--	--	1,500
Machinery & equipment	53,718	--	--	53,718
Sewer system	1,167,797	\$427,928	--	1,595,725
Const. in progress	<u>438,942</u>	<u>- -</u>	<u>(438,942)</u>	<u>--</u>
	2,370,641	427,928	(441,242)	2,357,327
Accumulated depreciation	<u>(745,639)</u>	<u>(71,926)</u>	<u>2,300</u>	<u>(815,265)</u>
	<u>\$1,625,002</u>	<u>\$356,002</u>	<u>(438,942)</u>	<u>\$1,542,062</u>

C. LONG-TERM LIABILITIES AND CONTRACTUAL OBLIGATIONS

During the year ended September 30, 2003 the changes in long-term indebtedness were:

	<u>Oct.1,2002</u>	<u>Additions</u>	<u>Retired</u>	<u>Sept.30,2003</u>
<u>Water Fund</u>				
Contractual Obligations	\$810,000	- -	(\$30,000)	\$780,000
<u>General Long-Term Debt</u>				
Capital Lease Payable	<u>60,554</u>	<u>- -</u>	<u>(15,164)</u>	<u>45,390</u>
Totals	<u>\$870,554</u>	<u>- -</u>	<u>(\$45,164)</u>	<u>\$825,390</u>

## Notes to the Financial Statements (Continued)

### 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 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, 2003: \$295,000

On October 7, 2000, the City entered into another contract with the Greater Texoma Utility Authority. These funds were used for expanding the wastewater treatment plant to accommodate excess flows. Except for principal and interest rates, the conditions of the contract are comparable to 1987 GTUA contract terms discussed above.

The original total principal obligation of the contract was \$500,000, with interest rates varying between 3.65% to 4.9%. The City's obligation to GTUA under the long-term contract expires with the retirement of GTUA bonds in the fiscal year



## Notes to the Financial Statements (Continued)

ending September 30, 2020. At that time, the undivided interest in the property transfers from GTUA to the City.

GTUA Contract Revenue Bonds, Series 2000:

Outstanding principal as of September 30, 2003: \$485,000

Total liability for all GTUA contractual obligations  
as of September 30, 2003: \$780,000

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
9/30/2004	\$ 30,000	\$ 44,805	\$ 74,805
9/30/2005	30,000	42,770	72,770
9/30/2006	35,000	40,720	75,720
9/30/2007	35,000	38,284	73,284
9/30/2008	35,000	35,842	70,842
Thereafter	<u>615,000</u>	<u>216,735</u>	<u>831,735</u>
Totals	<u>\$780,000</u>	<u>\$419,156</u>	<u>\$1,199,156</u>

### D. PROPERTY TAXES

At September 30, 2003, property taxes still receivable for the year 2002 assessment are \$2,267 and property taxes receivable for prior periods amounted to \$1,235. Allowance for doubtful accounts for these receivables is set at approximately ten percent, which amounts to \$350.

Total taxes collected for the year ended September 30, 2003 amounted to \$99,844. For the current year's tax levy, a total of 97.35% of the tax levy was collected. Property ad valorem tax rate for the year 2002 was .47782 per \$100 of assessed value.

### E. INSURED DEPOSITS

At September 30, 2003, the City's cash and certificates of deposits at the First National Bank of Tom Bean amounted to \$32,477. At year-end, all deposits are fully insured by the FDIC. \$200 of the balance sheet cash balance represents cash on hand.



## Notes to the Financial Statements (Continued)

### 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 774 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 and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 25 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

## Notes to the Financial Statements (Continued)

### Contributions

The contribution rate for the employees is 5%, and the City matching ratio is currently 1 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

### G. CAPITAL LEASE

The City has a capital lease to finance two police cars. The City has three annual payments remaining on this lease.

<u>Year</u>	<u>Payment</u>
2003	\$16,958
2004	16,958
<u>2005</u>	<u>16,958</u>
Total	50,874
Less :Interest portion	<u>(5,484)</u>
Present value of future minimum lease payments	<u>\$45,390</u>

Notes to the Financial Statements (Continued)

H. EXTRAORDINARY INCOME - GENERAL FUND

The City Hall was completely destroyed by a fire in the prior year. Insurance proceeds have allowed the City to rebuild a City Hall at a new location.

I. FUND EQUITY

Negative Fund Balance

The General Fund has a negative fund balance of \$(12,659) at September 30, 2003. The negative fund balance has decreased from the prior year's balance of \$(56,805), so the City has made progress towards restoring a positive fund balance for the General Fund.

## **SUPPLEMENTAL SCHEDULES**



City of Tom Bean, Texas  
Schedule of City Officials and Water Rates  
September 30, 2003

<u>Name</u>	<u>Position</u>
Tom Wilthers	Mayor
Tamra Chancellor	Mayor Pro Tem
Jerry Harris	Council Member
Ben Vincent	Council Member
Debbie Ellis	Council Member
Sherry Howard	Council Member
Cathy Pugh	City Secretary

Water & Sewer Rates

	<u>Water Rate</u>	<u>Sewer Rate</u>
Within city limits:	<p>\$12.00 for 1<sup>st</sup> 1,000 gallons.            \$22.00 for 1,001 – 2000 gallons            \$2.50 for each additional            1,000 gallons up to 8,000.            \$2.75 for each additional            1,000 gallons up to 15,000.            \$3.00 for each additional            1,000 gallons over 15,000.</p>	<p>\$18.50 for 1<sup>st</sup>            2,000 gallons.            \$1.45 for each            add'l 1000 gallons</p>
Outside city limits:	<p>\$35.00 for 1<sup>st</sup> 2,000 gallons.            \$3.50 for each additional            1,000 gallons between 2,000            and 15,000 gallons.            \$4.50 for each additional            1,000 gallons over 15,000            gallons.</p>	
New connections:	\$500 per connection	\$500 per connection
Existing connections:	<p>\$40 connect fee with a \$60 deposit. Deposit is refundable            after twelve months if bills have been paid timely and the            account is in good standing.</p>	

See accountant's report and notes to the financial statements.

CITY OF TOM BEAN, TEXAS  
WATERWORKS AND SEWER SYSTEM  
SCHEDULE OF CONTRACTUAL OBLIGATION REQUIREMENTS  
YEAR ENDED SEPTEMBER 30, 2003

SCHEDULE OF CONTRACTUAL OBLIGATION REQUIREMENTS GTUA CONTRACT REVENUE BONDS SERIES 1988				
YEAR ENDED SEPTEMBER 30	INTEREST DUE 1/1	INTEREST DUE 7/1	PRINCIPAL DUE 7/1	TOTALS
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	\$ 60,375	\$ 60,377	\$ 295,000	\$ 415,752

SCHEDULE OF CONTRACTUAL OBLIGATION REQUIREMENTS GTUA CONTRACT REVENUE BONDS SERIES 2000				
YEAR ENDED SEPTEMBER 30	INTEREST DUE 1/1	INTEREST DUE 7/1	PRINCIPAL DUE 7/1	TOTALS
2004	\$ 11,403	\$ 11,403	\$ 5,000	\$ 27,806
2005	11,304	11,304	5,000	27,608
2006	11,204	11,204	5,000	27,408
2007	11,103	11,103	5,000	27,206
2008	11,000	11,000	5,000	27,000
2009	10,896	10,896	5,000	26,792
2010	10,791	10,791	5,000	26,582
2011	10,635	10,635	5,000	26,270
2012	10,576	10,576	5,000	26,152
2013	10,465	10,465	45,000	65,930
2014	9,441	9,441	50,000	68,882
2015	8,291	8,291	50,000	66,582
2016	7,129	7,129	55,000	69,258
2017	5,823	5,823	55,000	66,646
2018	4,500	4,500	60,000	69,000
2019	3,048	3,048	60,000	66,096
2020	1,593	1,593	65,000	68,186
TOTALS	\$ 149,202	\$ 149,202	\$ 485,000	\$ 783,404

See accountant's report and notes to the financial statements.

**CITY OF TOM BEAN, TEXAS**  
Year Ended September 30, 2003  
Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation date		12/31/02
Actuarial Value of Assets	\$	43,366
Actuarial Accrued Liability		67,726
Percentage Funded		64.0%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)		24,360
Annual Covered Payroll		98,071
UAAL as a Percentage of Covered Payroll		24.8%
Net Pension Obligation (NPO) at the Beginning of Period		-
Annual Pension Cost:		
Annual required contribution (ARC)	10,956	
Interest on NPO	-	
Adjustment to the ARC	-	10,956
Contributions Made	\$	10,956
Increase in NPO		-
NPO at the end of the period		-

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 requirements of GASB 25)
Investment rate of return -	8%
Projected salary increases -	None
Includes inflation at -	None
Cost-of-living adjustments -	None

See accountant's report and notes to the financial statements.



**REPORTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

# GREGG & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBER

TEXAS SOCIETY OF CPA'S

MEMBER

AMERICAN INSTITUTE OF CPA'S

## *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, 2003, and have issued our report thereon dated October 27, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the 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 immaterial instances of noncompliance that we have reported to management of the City of Tom Bean, Texas, in a separate letter dated October 27, 2003.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Tom Bean 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 matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

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

*Gregg & Company CPAs*

Tom Bean, Texas  
October 27, 2003