

**CITY OF LINDSAY**  
**STATEMENT OF FUND NET ASSETS**  
**PROPRIETARY FUND**  
**OCTOBER 31, 2004**

	<u>Water and Sewer Utilities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 70,162
Certificates of deposit	297,000
Accounts receivable	8,048
Accrued interest	426
Total current assets	<u>375,636</u>
Restricted assets:	
Cash - meter deposits	600
Certificate of deposit - meter deposits	10,600
Lease reserve	39,955
Total restricted assets	<u>51,155</u>
Capital assets:	
Plant and equipment (net)	515,795
Land	10,000
Total capital assets	<u>525,795</u>
Total assets	<u>952,586</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	9,503
Customer deposits	11,200
Current lease payable	39,935
Less: discount on lease payable	<u>(19,935)</u>
Total current liabilities	<u>40,703</u>
Long term liabilities:	
Lease payable	392,297
Less: discount on lease payable	<u>(110,123)</u>
Total long term liabilities	<u>282,174</u>
Total liabilities	<u>322,877</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	223,621
Restricted for lease reserve	39,955
Unrestricted	366,133
Total net assets	<u>\$ 629,709</u>

See accompanying notes to financial statements.

**CITY OF LINDSAY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED OCTOBER 31, 2004**

	<u>Water and Sewer Utilities</u>
<b>OPERATING REVENUES</b>	
Charges for services:	\$ 129,778
Water and sewer charges	3,126
Water connection fees	33,161
Sanitation charges	6,391
Franchise fees	<u>172,456</u>
Total operating revenues	
<b>OPERATING EXPENSES</b>	
Depreciation	31,946
General and administrative	5,991
Labor	8,479
Payroll expenses	10,898
Repairs and maintenance	12,673
Supplies	1,045
Testing	2,572
Utilities	55,565
Total operating expenses	<u>129,169</u>
Operating income	<u>43,287</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	5,469
Interest expense	<u>(21,159)</u>
Total nonoperating revenues (expenses)	<u>(15,690)</u>
Net income before contributions and transfers	27,597
Transfers from other funds	<u>36,299</u>
Change in net assets	63,896
Net assets - beginning	565,813
Net assets - ending	<u>\$ 629,709</u>

See accompanying notes to financial statements.

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**CITY OF LINDSAY**  
**STATEMENT OF CASH FLOWS**  
**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED OCTOBER 31, 2004**

Cash flows from operating activities:	
Cash received from customers	\$ 170,313
Cash payments to suppliers for goods and services	(80,275)
Cash payments to employees and contractors for services	(19,377)
Net cash provided (used) by operating activities	<u>70,661</u>
Cash flows from capital and related financing activities:	
Principal payments on capital lease	(20,000)
Interest paid on capital lease	(21,159)
Operating transfers in from general fund	36,299
Net cash provided (used) capital and related financing activities	<u>(4,860)</u>
Cash flows from investing activities:	
Interest income	5,355
Net (purchases)/maturities of certificates of deposits	(41,000)
Net cash provided (used) by investing activities	<u>(35,645)</u>
Net increase (decrease) in cash and cash equivalents	30,156
Cash and equivalents, beginning	<u>40,606</u>
Cash and equivalents, ending	<u>\$ 70,762</u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	\$ 43,287
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	31,946
(Increase) Decrease in accounts receivable	(2,473)
Increase (Decrease) in accounts payable	(2,429)
Increase (Decrease) in customer deposits	330
Net cash provided (used) by operating activities	<u>\$ 70,661</u>

Noncash investing, capital, and financing activities:  
There were no significant noncash investing, capital, and financing activities during the reported period.

	Current Assets	Restricted Assets	Statement of Cash Flows Total
Cash and cash equivalents - beginning	\$ 39,336	\$ 1,270	\$ 40,606
Net increase (decrease)	30,826	(670)	30,156
Cash and cash equivalents - ending	<u>\$ 70,162</u>	<u>\$ 600</u>	<u>\$ 70,762</u>

See accompanying notes to financial statements.

**CITY OF LINDSAY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED OCTOBER 31, 2004**

**A. Summary of Significant Accounting Policies**

The basic financial statements of the City of Lindsay (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units. The City applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

For the fiscal year ended October 31, 2004, the City implemented the new reporting requirements of GASB Statement Nos. 33 and 34. As a result, an entirely new financial reporting model has been implemented.

**1. Reporting Entity**

The City of Lindsay, Texas ("City"), is incorporated under the provisions of the laws of the State of Texas. The City is governed by a mayor and city council that are elected. The City provides the water and sewer services and garbage collection as authorized by charter. The City also collects taxes and fees to fund the general operations of the City.

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

**Government-Wide Statements:** The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

***Governmental Funds***

The City reports the following major governmental fund:

**General Fund:** This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

**CITY OF LINDSAY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED OCTOBER 31, 2004**

*Proprietary Funds*

The City reports the following major enterprise fund:

Water and Sewer Utilities Fund – This fund accounts for the operating activities of the City's water and sewer utilities services as well as water and sewer utilities construction, contracting, and debt.

b. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements: These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales and liquor taxes, franchise fees, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Major revenue sources susceptible to accrual include: sales and liquor taxes, property taxes, and franchise taxes (fees). In general, other revenues are recognized when cash is received because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased. The City has no

**CITY OF LINDSAY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED OCTOBER 31, 2004**

cash equivalents as of October 31, 2004.

**b. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the general fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**c. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Streets and Improvements	20
Vehicles	6
Furniture, Plant and Equipment	5-20

**d. Receivable and Payable Balances**

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

**e. Interfund Activity**

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All

**CITY OF LINDSAY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED OCTOBER 31, 2004**

other interfund transactions are treated as transfers. Transfers in and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities.

f. **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

**B. Deposits and Investments**

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At October 31, 2004, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$1,041,155 and the bank balance was \$1,042,571. The City's cash deposits at October 31, 2004 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

In addition, the following is disclosed regarding coverage as of October 31, 2004:

- a. Depositories: First State Bank of Gainesville and American Bank of Texas
- b. The total amount of FDIC coverage at October 31, 2004 was \$200,000.
- c. The market value of securities pledged at October 31, 2004 was \$1,530,585.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

- Category 1 - Deposits which are insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 - Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the City's deposits are classified as Category 1 as of October 31, 2004.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8)



**CITY OF LINDSAY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED OCTOBER 31, 2004**

investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposits, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year-end. These custodial risk categories are as follows:

- Category 1 - Investments that are insured, registered or held by the City or by its agent in the City's name.
- Category 2 - Investments that are uninsured and unregistered held by the counterparty's trust department or agent in the City's name.
- Category 3 - Uninsured and unregistered investments held by the counterparty, its trust department or its agent, but not in the City's name.

The City's investments at October 31, 2004 are shown below.

<u>Investment</u>	<u>Category</u>			<u>Reported Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Certificates of Deposit					
General Fund	\$ 648,000	\$ --	\$ --	\$ 648,000	\$ 648,000
Proprietary Fund	<u>307,600</u>	<u>--</u>	<u>--</u>	<u>307,600</u>	<u>307,600</u>
	\$ 955,600	\$ --	\$ --	\$ 955,600	\$ 955,600

**CITY OF LINDSAY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED OCTOBER 31, 2004**

**C. Capital Assets**

Capital asset activity for the period ended October 31, 2004, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated</i>				
Land	<u>\$ 23,700</u>	<u>--</u>	<u>--</u>	<u>\$ 23,700</u>
Total capital assets not being depreciated	<u>23,700</u>	<u>--</u>	<u>--</u>	<u>23,700</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	409,750	--	--	409,750
Plant and equipment	81,468	180	180	81,468
Streets	<u>120,135</u>	<u>--</u>	<u>--</u>	<u>120,135</u>
Total capital assets being depreciated	<u>611,353</u>	<u>180</u>	<u>180</u>	<u>611,353</u>
Less accumulated depreciation for:				
Buildings and improvements	(33,486)	(8,194)	--	(41,680)
Plant and equipment	(59,835)	(7,094)	(39)	(66,890)
Streets	<u>(44,441)</u>	<u>(3,882)</u>	<u>--</u>	<u>(48,323)</u>
Total accumulated depreciation	<u>(137,762)</u>	<u>(19,170)</u>	<u>(39)</u>	<u>(156,893)</u>
Total capital assets being depreciated, net	<u>473,591</u>	<u>(18,990)</u>	<u>141</u>	<u>454,460</u>
Governmental activities capital assets, net	<u>\$497,291</u>	<u>\$(18,990)</u>	<u>\$141</u>	<u>\$478,160</u>

Depreciation was charged to functions as follows:

General	\$ 6,864
Recreation	256
Court	1,151
Fire	688
Police	6,534
Streets	<u>3,677</u>
	<u>\$19,170</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type activities:</b>				
<i>Capital assets not being depreciated</i>				
Land	<u>\$ 10,000</u>	<u>--</u>	<u>--</u>	<u>\$ 10,000</u>
Total capital assets not being depreciated	<u>10,000</u>	<u>--</u>	<u>--</u>	<u>10,000</u>
<i>Capital assets being depreciated:</i>				
Plant and equipment	<u>949,944</u>	<u>--</u>	<u>--</u>	<u>949,944</u>
Total capital assets being depreciated	<u>949,944</u>	<u>--</u>	<u>--</u>	<u>949,944</u>
Less accumulated depreciation for:				
Plant and equipment	<u>(402,203)</u>	<u>(31,946)</u>	<u>--</u>	<u>(434,149)</u>
Total accumulated depreciation	<u>(402,203)</u>	<u>(31,946)</u>	<u>--</u>	<u>(434,149)</u>
Total capital assets being depreciated, net	<u>547,741</u>	<u>(31,946)</u>	<u>--</u>	<u>515,795</u>
Business-type activities capital assets, net	<u>\$557,741</u>	<u>\$(31,946)</u>	<u>\$--</u>	<u>\$525,795</u>

**CITY OF LINDSAY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED OCTOBER 31, 2004**

Depreciation was charged to functions as follows:

Water and sewer utilities \$ 31,946

**D. Transfers To and From Other Funds**

Transfers to and from other funds at October 31, 2004, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General fund	Water and sewer fund	\$ 36,299	Supplement other fund sources

**E. Commitments under Capitalized Leases**

During the fiscal year 1995, the City entered into a contract to construct and acquire a new water well under the provisions of a long-term capital lease agreement. Upon final payment (fiscal year 2015) the title of the water well will pass to the City.

Future obligations over the primary terms of the City's capital lease as of October 31, 2004 are as follows:

<u>Year Ending</u> <u>October 31,</u>	<u>Amount</u>
2005	\$39,935
2006	38,697
2007	39,522
2008	41,026
2009	41,486
2010-2014	206,647
2015	<u>24,920</u>
Total	\$432,233

The effective interest rate on the capital lease is 6.55%.

**F. Risk Management**

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2004, the City purchased commercial insurance to cover general liabilities. There were not significant reductions in coverage in the past fiscal year and there were not settlements exceeding insurance coverage for each of the past three fiscal years.

**G. Restricted Assets**

As of October 31, 2004, the City had restricted assets of \$51,155. The City restricts assets and reserves a portion of its retained earnings to meet the requirements of its capital lease. The City restricts the money held on deposit for meter deposits.

**CITY OF LINDSAY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED OCTOBER 31, 2004**

**H. Deferred Revenue**

Deferred revenue at year end consisted of the following:

<u>Revenue Description</u>	<u>Fund</u>	<u>Deferred Amount</u>
Net property tax revenue	General	\$57,976
Police training grant	Special Revenue	<u>321</u>
		\$58,297

**I. Due From State**

Due from state amount of \$ 6,243 represents the City's overpayment of court fees to the State Comptroller due to miscalculation on the quarterly reports. These reports are being amended and will result in a refund.

**J. Commitments and Contingencies**

**1. Contingencies**

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**2. Litigation**

No reportable litigation was pending against the City at October 31, 2004.

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### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but is not considered a part of the basic financial statements.

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**CITY OF LINDSAY**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED OCTOBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 64,255	\$ 77,645	\$ 67,354	\$ (10,291)
Franchise taxes (fees)	40,000	33,695	33,695	-
Liquor taxes	7,000	4,901	4,901	-
Sales taxes	95,000	76,202	73,177	(3,025)
Licenses and permits	2,500	3,258	3,258	-
Fees	9,987	17,889	17,888	(1)
Grants and donations	-	-	200	200
Interest	9,500	12,640	13,388	748
Total revenues	<u>228,242</u>	<u>226,230</u>	<u>213,861</u>	<u>(12,369)</u>
<b>EXPENDITURES</b>				
General government	61,283	60,396	49,762	10,634
Public safety				-
Court	4,820	14,557	8,314	6,243
Police	48,000	48,673	45,918	2,755
Fire	1,800	5,034	4,971	63
Recreation	1,000	1,847	1,847	-
Streets	56,996	26,564	26,564	-
Total expenditures	<u>173,899</u>	<u>157,071</u>	<u>137,376</u>	<u>19,695</u>
Excess (deficiency) of revenues over (under) expenditures	<u>54,343</u>	<u>69,159</u>	<u>76,485</u>	<u>7,326</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other fund	(35,000)	(25,401)	(36,299)	(10,898)
Total other financing sources (uses)	<u>(35,000)</u>	<u>(25,401)</u>	<u>(36,299)</u>	<u>(10,898)</u>
Net change in fund balance	19,343	43,758	40,186	(3,572)
Fund balance - beginning	641,870	641,870	641,870	-
Fund balance - ending	<u>\$ 661,213</u>	<u>\$ 685,628</u>	<u>\$ 682,056</u>	<u>\$ (3,572)</u>



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### *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and is not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

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# HESS & ROHMER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

BRIAN D. HESS, CP.  
MELODY ROHMER, CP.  
LESLIE DANGELMAYR, CP.

## Independent Auditors' Report

Report on Compliance and on Internal Control over Financial  
Reporting Based on an Audit of Financial Statements Performed  
in Accordance with Government Auditing Standards

Honorable Steven Zwinggi, Mayor and  
Members of the City Council  
City of Lindsay, Texas  
P.O. Box 153  
Lindsay, Texas 76250

Members of the City Council:

We have audited the general purpose financial statements of the City of Lindsay, State of Texas, as of and for the year ended October 31, 2004, and have issued our report thereon dated January 24, 2005. We conducted our audit in accordance with generally accepted auditing standards and 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 Lindsay, State of 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 determination 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*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Lindsay, State of Texas' 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 operation of one or more of the internal control components does not reduce to 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 operation that we considered to be material weaknesses.

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

  
Hess & Rohmer, P.C.

January 24, 2005

**CITY OF LINDSAY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED OCTOBER 31, 2004**

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes ☒ No

Reportable condition(s) identified that are  
not considered to be material weaknesses?

☐ Yes ☒ None Reported

Noncompliance material to financial  
statements noted?

☐ Yes ☒ No

B. Financial Statement Findings

Our procedures detected no material findings that require disclosure in this report.

**CITY OF LINDSAY**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED OCTOBER 31, 2004**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no findings in the 2002-2003 Annual Financial Report.		

CITY OF LINDSAY  
WATER AND SEWER CNN APPLICATION

EXHIBIT D

**CITY OF LINDSAY  
SCHEDULE OF FEES**

Exhibit A

Billing Code	Description	Class	Income	Quantity	Price	Rate
<b>WATER</b>						
0.75	3/4" Meter Water Rate	W-Nontax		Base (Minimum) 2,000 gallons	\$12.00	XXXXXXXXXXXXXXXXXXXX
				2,001 to 8,000 gallons	\$12.00	\$1.60 per 1,000 gallons
				8,001 gallons and up	\$21.60	\$2.00 per 1,000 gallons
.75B	Outside City Limits	W-Nontax		Base (Minimum) 2,000 gallons	\$18.00	XXXXXXXXXXXXXXXXXXXX
	Rate + 1/2 (3/4" Meter) Water Rate			2,001 to 8,000 gallons	\$18.00	\$2.40 per 1,000 gallons
				8,001 gallons and up	\$32.40	\$3.00 per 1,000 gallons
1	1" Meter Water Rate	W-Nontax		Base (Minimum) 2,000 gallons	\$15.00	XXXXXXXXXXXXXXXXXXXX
				2,001 to 8,000 gallons	\$15.00	\$1.60 per 1,000 gallons
				8,001 gallons and up	\$24.60	\$2.00 per 1,000 gallons
1.5	1.5" Meter Water Rate	W-Nontax		Base (Minimum) 2,000 gallons	\$20.00	XXXXXXXXXXXXXXXXXXXX
				2,001 to 8,000 gallons	\$20.00	\$1.60 per 1,000 gallons
				8,001 gallons and up	\$29.60	\$2.00 per 1,000 gallons
1B	Outside City Limits	W-Nontax		Base (Minimum) 2,000 gallons	\$22.50	XXXXXXXXXXXXXXXXXXXX
	Rate + 1/2 (1" Meter) Water Rate			2,001 to 8,000 gallons	\$22.50	\$2.40 per 1,000 gallons
				8,001 gallons and up	\$36.90	\$3.00 per 1,000 gallons
2	2" Meter Water Rate	W-Nontax		Base (Minimum) 2,000 gallons	\$25.00	XXXXXXXXXXXXXXXXXXXX
				2,001 to 8,000 gallons	\$25.00	\$1.60 per 1,000 gallons
				8,001 gallons and up	\$34.60	\$2.00 per 1,000 gallons
3	3" Meter Water Rate	W-Nontax		Base (Minimum) 2,000 gallons	\$35.00	XXXXXXXXXXXXXXXXXXXX
				2,001 to 8,000 gallons	\$35.00	\$1.60 per 1,000 gallons
				8,001 gallons and up	\$44.60	\$2.00 per 1,000 gallons
	Meter Deposit-Residential			Minimum	\$40.00	XXXXXXXXXXXXXXXXXXXX
				Each Additional	\$40.00	XXXXXXXXXXXXXXXXXXXX
	Meter Deposit-Commercial			Minimum	\$100.00	XXXXXXXXXXXXXXXXXXXX
				Each Additional	\$100.00	XXXXXXXXXXXXXXXXXXXX
	Water Tap Fee			Each	\$300.00	XXXXXXXXXXXXXXXXXXXX
<b>SEWER</b>						
S00	Sewer Rate-No Water Meter	S-Nontax		Base (Minimum) 3,000 gallons	\$6.00	XXXXXXXXXXXXXXXXXXXX
S01	Residential Sewer Rate	S-Nontax		Base (Minimum) 3,000 gallons	\$5.00	XXXXXXXXXXXXXXXXXXXX
				3,001 and greater	\$5.00	\$0.30 per 1,000 gallons of water
S02	Residential Sewer Rate-Outside CL	S-Nontax		Base (Minimum) 3,000 gallons	\$7.50	XXXXXXXXXXXXXXXXXXXX
				3,001 and greater	\$7.50	\$0.45 per 1,000 gallons of water
S03	Commercial Sewer Rate	S-Nontax		Base (Minimum) 3,000 gallons	\$10.00	XXXXXXXXXXXXXXXXXXXX
				3,001 and greater	\$10.00	\$0.30 per 1,000 gallons of water
S03	Commercial Sewer Rate-Outside CL	S-Nontax		Base (Minimum) 3,000 gallons	\$15.00	XXXXXXXXXXXXXXXXXXXX
				3,001 and greater	\$15.00	\$0.45 per 1,000 gallons of water
	Sewer Tap Fee			Each	\$300.00	XXXXXXXXXXXXXXXXXXXX
<b>GARBAGE</b>						
TPU	Garbage Fee	G-Nontax		Minimum	\$11.02	XXXXXXXXXXXXXXXXXXXX
TPU2	Garbage Fee-2 Polycarts	G-Nontax		Minimum (Base)	\$17.77	XXXXXXXXXXXXXXXXXXXX
				Each Additional Polycart	\$17.77	\$6.75 each
<b>FEES</b>						
RC	Reconnection Fee	F-Nontax		Minimum	\$20.00	XXXXXXXXXXXXXXXXXXXX
RTD	Returned Check Fee	L-Nontax		Minimum	\$20.00	XXXXXXXXXXXXXXXXXXXX
<b>OTHER FEES</b>						
	PART	XXXXXX	XXXXXX	DESCRIPTION	PRICE	XXXXXXXXXXXXXXXXXXXX
	Copper Tubing	XXXXXX	XXXXXX	3/4" and 1"	\$2.00/ft	XXXXXXXXXXXXXXXXXXXX
	Tapping Saddle	XXXXXX	XXXXXX	4" x 3/4"	\$40.00	XXXXXXXXXXXXXXXXXXXX
	Tapping Saddle	XXXXXX	XXXXXX	6" x 3/4"	\$47.05	XXXXXXXXXXXXXXXXXXXX
	Tapping Saddle	XXXXXX	XXXXXX	4" x 1"	\$43.00	XXXXXXXXXXXXXXXXXXXX
	Tapping Saddle	XXXXXX	XXXXXX	6" x 1"	\$52.30	XXXXXXXXXXXXXXXXXXXX
	KVC <sup>2</sup> Meter Valve	XXXXXX	XXXXXX	3/4"	\$13.00	XXXXXXXXXXXXXXXXXXXX
	Coupling	XXXXXX	XXXXXX	3/4"	\$7.00 ea	XXXXXXXXXXXXXXXXXXXX
	Meter w/Connections	XXXXXX	XXXXXX	3/4"	\$50.00	XXXXXXXXXXXXXXXXXXXX
	Meter w/Connections	XXXXXX	XXXXXX	1"	\$130.00	XXXXXXXXXXXXXXXXXXXX
	Meter Box	XXXXXX	XXXXXX	Short-14" x 18"	\$35.00	XXXXXXXXXXXXXXXXXXXX
	Meter Box	XXXXXX	XXXXXX	Long-18" x 18"	\$40.00	XXXXXXXXXXXXXXXXXXXX
	Reducer	XXXXXX	XXXXXX	From 1" to 3/4"	\$7.00	XXXXXXXXXXXXXXXXXXXX
	Cooperation Stop	XXXXXX	XXXXXX	3/4"	\$12.50	XXXXXXXXXXXXXXXXXXXX
	Cooperation Stop	XXXXXX	XXXXXX	1"	\$39.00	XXXXXXXXXXXXXXXXXXXX
	Repair Clamp	XXXXXX	XXXXXX	4" F1-514-7.5	\$60.00	XXXXXXXXXXXXXXXXXXXX



City of Lindsay

Water and Sewer CCN Amendment Application

Exhibit E

List of Neighboring Utilities within a 2 mile radius

1. City of Gainesville  
CCN Number 12957  
200 South Rusk Street  
Gainesville, Texas 76240
2. Lindsay Pure Water Company  
CCN Number 12858  
P.O. Box 5  
Lindsay, Texas 76250
3. Myra Water System  
CCN Number 12514  
P.O. Box 126  
Myra, Texas 76253

**CITY OF LINDSAY, TEXAS**

***ANNUAL FINANCIAL REPORT***

***For the Year  
Ended September 30, 2007***

DLM-15

**HESS & ROHMER, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

**APP0291**

City of Lindsay  
Annual Financial Report  
For The Year Ended September 30, 2007

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*Financial Section*

# HESS & ROHMER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

BRIAN D. HESS, CPA  
MELODY ROHMER, CPA  
LESLIE DANGELMAYR, CPA  
CURTIS HOENIG, CPA  
DAVID STOFFELS, CPA  
LISA MELTON, CPA

## Independent Auditors' Report on Financial Statements

Honorable Steven Zwinggi, Mayor and  
Members of the City Council  
City of Lindsay, Texas  
P.O. Box 153  
Lindsay, Texas 76250

Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lindsay, State of Texas, as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lindsay, State of Texas management. Our responsibility is to express opinions on these 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Lindsay, State of Texas, as of September 30, 2007, and the respective changes in financial position and, when applicable, cash flows, thereof for 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 January 7, 2008, on our consideration of the City of Lindsay, State of Texas internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management

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regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements which collectively comprise the City of Lindsay's basic financial statements. The accompanying supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Hess & Rohmer P.C.", written over a horizontal line.

Hess & Rohmer, P.C.

January 7, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### City of Lindsay

This section of the City of Lindsay's Annual Financial and Compliance Report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2007. Please read it in conjunction with the City's financial statements, which follow this section.

#### FINANCIAL HIGHLIGHTS

- The City's total combined net assets were \$2,389,171 at September 30, 2007.
- During the year, the City had expenses that were \$200,568 less than the \$606,636 generated in tax and other revenues for governmental and business-type programs, thereby increasing the City's net assets by approximately 9.2%.
- Total cost of the City's programs increased from last year, largely due to major street repairs.
- The General Fund ended the year with a fund balance of \$771,050.
- The resources available for appropriation were \$38,092 more than budgeted for the General Fund.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City.

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.

The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.

Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The statements are followed by a section of required supplementary information further explains and supports the information in the financial statements.

#### Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets – the difference between the City's assets and liabilities – is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.



- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, highways and streets, sanitation, economic development, culture and recreation, and interest on long-term debt. Property taxes and grants finance most of these activities.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds – not the city as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- **Governmental funds** – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we describe the differences between governmental activities and governmental funds in reconciliation schedules following each of the fund financial statements.
- **Proprietary funds** – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets of the City's governmental and business-type activities increased from \$2,188,603 to \$2,389,171. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$1,247,476 at September 30, 2007. This increase in total net assets represents an increase of 9.2 percent from the prior year.

**Table I**  
**City of Lindsay**

**NET ASSETS**

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Totals</u>	
	2007	2006	2007	2006	2007	2006
Current and other assets	868,101	828,980	623,699	505,045	1,491,800	1,334,025
Restricted assets	-	4,270	56,160	54,840	56,160	59,110
Capital assets	606,676	599,456	513,905	535,485	1,120,581	1,134,941
Total assets	1,474,777	1,432,706	1,193,764	1,095,370	2,668,541	2,528,076
Current liabilities	4,953	54,716	55,576	42,583	60,529	97,299
Long term liabilities	-	-	218,841	242,174	218,841	242,174
Total liabilities	4,953	54,716	274,417	284,757	279,370	339,473
Net Assets:						
Invested in capital assets net of related debt	606,676	599,456	270,064	271,644	876,740	871,100
Restricted	-	7,830	39,995	39,995	39,995	47,785
Reserved for improvements related to grant	225,000	-	-	-	225,000	-
Unrestricted	638,148	770,704	609,328	499,014	1,247,476	1,269,718
Total net assets	1,469,824	1,377,990	919,347	810,613	2,389,171	2,188,603

**Table II**  
**City of Lindsay**

**CHANGES IN NET ASSETS**

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Totals</u>	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for Services	36,788	26,052	234,757	229,949	271,545	256,001
Operating grants and contributions	1,021	17,058	-	-	1,021	17,058
General Revenues:						
Property taxes	107,117	100,357	-	-	107,117	100,357
Sales & liquor taxes	111,878	92,985	-	-	111,878	92,985
Franchise taxes (fees)	40,440	38,190	7,843	6,300	48,283	44,490
Investment Earnings	36,088	28,216	27,704	13,590	63,792	41,806
Total Revenue	333,332	302,858	270,304	249,839	603,636	552,697
Expenses:						
General government	86,280	63,992	-	-	86,280	63,992
Court	10,802	7,414	-	-	10,802	7,414
Police	63,752	73,148	-	-	63,752	73,148
Fire	5,895	3,453	-	-	5,895	3,453
Disaster	7,165	221	-	-	7,165	221
Recreation	7,059	5,903	-	-	7,059	5,903
Streets	17,134	6,375	-	-	17,134	6,375
Water & sewer utilities	-	-	159,584	146,689	159,584	146,689
Solid waste management	-	-	45,397	38,938	45,397	38,938
Total Expenses	198,087	160,506	204,981	185,627	403,068	346,133
Increase in net assets before transfers and special items	135,245	142,352	65,323	64,212	200,568	206,564
Transfers	(43,411)	(36,446)	43,411	36,446	-	-
Special Items	-	-	-	-	-	-
Net assets, beginning of year	1,377,990	1,272,084	810,613	709,955	2,188,603	1,982,039
Net assets, end of year	1,469,824	1,377,990	919,347	810,613	2,389,171	2,188,603

The Statement of Activities presents the cost of each of the City's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$ 198,087.
- However, the amount that our taxpayers paid for these activities through property taxes was \$107,117, and through sales & liquor taxes was \$111,878.
- Some of the cost was paid by those who directly benefited from the programs, \$36,788, or
- By grants and contributions \$1,021.
- The cost of all *business-type* activities this year was \$204,981.
- This cost was paid by those who directly benefited from the program, \$234,757.

## THE CITY'S FUNDS

As the City completed fiscal the year, its governmental funds (as presented in the balance sheet on page 10) reported a combined fund balance of \$771,050, which has increased \$76,233 from last year's total of \$694,817. The increase is partially due to 2007 budgeted street projects being delayed due to bad weather and increases in tax revenues. Also, the City is setting aside funds in connection with the street projects to be completed in 2008 under the TCDGB contract. Under this contract, the City was awarded \$125,000 to be used for street improvements; and the City committed to matching and exceeding the awarded amount. The City's reserved amount for the street projects, to be completed by July 3, 2009, is \$225,000. The City was also awarded a planning grant in the amount of \$30,300, which is scheduled to begin in June 2008.

During Fiscal Year 2007 the City's revenue for water and sewer services increased by 2.1 percent. This increase was due to an increase in rates for sewer, and the addition of new customers; offset by a decrease in overall usage due to heavy rainfall the City experienced during the summer months. The expenses necessary to provide water and sewer service increased by 10.4 percent, primarily due to increases in labor and repair costs. Overall, governmental activity expenses increased by 23.4 percent. The increase is attributable to an increase in street maintenance/repair costs and general operating costs over prior year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal 2007, the City had \$1,858,830 in a broad range of capital assets, including land, equipment, buildings, and vehicles. This amount represents a net increase of \$43,394, or 2.4 percent, above last year.

Additional information about the City's capital assets is presented in Note C to the financial statements.

### Debt

No new debt was issued during the year. At year-end, the City had \$243,841 in a capital leases outstanding versus \$263,842 last year—a net decrease of 7.6 percent.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board approved a \$.2216/\$100 tax rate for 2007-2008, which is \$.0096 more than the rate for 2006-2007. In comparison to prior years, there were fewer capitalizable asset purchases for the water department and for the city.

The City has been awarded a contract by the Office of Rural Community Affairs under which the City will receive \$125,000 for street improvements to be completed by July 3, 2009. In connection with this contract, the City has also reserved \$225,000 of its own funds for the street projects to be completed under the terms of the grant agreement.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's business office, at City of Lindsay, P.O. Box 153/608 Ash Street, Lindsay, Texas, 76250.

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*Basic Financial Statements*

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**CITY OF LINDSAY**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2007**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 86,839	\$ 123,756	\$ 210,595
Certificates of deposit	666,754	487,286	1,154,040
Receivables			
Accounts	-	12,657	12,657
Property taxes (net)	102,460	-	102,460
Sales taxes	8,174	-	8,174
Liquor and motel taxes	2,827	-	2,827
Accrued interest	1,047	-	1,047
Total current assets	<u>868,101</u>	<u>623,699</u>	<u>1,491,800</u>
Restricted assets:			
Cash - meter deposits	-	5,605	5,605
Certificate of deposit - meter deposits	-	10,600	10,600
Lease reserve	-	39,955	39,955
Total restricted assets	<u>-</u>	<u>56,160</u>	<u>56,160</u>
Capital assets:			
Buildings and improvements (net)	393,293	-	393,293
Plant and equipment (net)	53,611	503,905	557,516
Streets (net)	136,072	-	136,072
Land	23,700	10,000	33,700
Total capital assets	<u>606,676</u>	<u>513,905</u>	<u>1,120,581</u>
Total assets	<u>1,474,777</u>	<u>1,193,764</u>	<u>2,668,541</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	2,971	14,296	17,267
Accrued payroll liabilities	1,440	-	1,440
Customer deposits	-	16,280	16,280
Deferred revenue	542	-	542
Current lease payable	-	41,160	41,160
Less: discount on lease payable	-	(16,160)	(16,160)
Total current liabilities	<u>4,953</u>	<u>55,576</u>	<u>60,529</u>
Long term liabilities:			
Lease payable	-	276,394	276,394
Less: discount on lease payable	-	(57,553)	(57,553)
Total long term liabilities	<u>-</u>	<u>218,841</u>	<u>218,841</u>
Total liabilities	<u>4,953</u>	<u>274,417</u>	<u>279,370</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	606,676	270,064	876,740
Restricted for lease reserve	-	39,955	39,955
Reserved for street improvement project	225,000	-	225,000
Unrestricted	<u>638,148</u>	<u>609,328</u>	<u>1,247,476</u>
Total net assets	<u>\$ 1,469,824</u>	<u>\$ 919,347</u>	<u>\$ 2,389,171</u>

See accompanying notes to financial statements.

**CITY OF LINDSAY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 86,280	\$ 14,515	\$ -	\$ (71,765)
Public safety:				
Court	10,802	20,248	-	9,446
Police	63,752	-	1,021	(62,731)
Fire	5,895	-	-	(5,895)
Disaster	7,165	-	-	(7,165)
Recreation	7,059	2,025	-	(5,034)
Streets and improvements	17,134	-	-	(17,134)
Total governmental activities	<u>198,087</u>	<u>36,788</u>	<u>1,021</u>	<u>(160,278)</u>
Business-type activities:				
Water and sewer utilities	159,584	189,927	-	30,343
Solid waste management	45,397	44,830	-	(567)
Total business-type activities	<u>204,981</u>	<u>234,757</u>	<u>-</u>	<u>29,776</u>
Total primary government	<u>\$ 403,068</u>	<u>\$ 271,545</u>	<u>\$ 1,021</u>	<u>\$ (130,502)</u>

See accompanying notes to financial statements.



**CITY OF LINDSAY**  
**STATEMENT OF ACTIVITIES (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Change in net assets:			
Net (expense) revenue	\$ (160,278)	\$ 29,776	\$ (130,502)
General revenues:			
Taxes:			
Property	107,117	-	107,117
Franchise (fees)	40,440	7,843	48,283
Liquor	7,498	-	7,498
Motel	7,158	-	7,158
Sales	97,222	-	97,222
Interest income	36,088	27,704	63,792
Transfers	(43,411)	43,411	-
Total general revenues and transfers	252,112	78,958	331,070
Change in net assets	91,834	108,734	200,568
Net assets - beginning	1,377,990	810,613	2,188,603
Net assets - ending	\$ 1,469,824	\$ 919,347	\$ 2,389,171

See accompanying notes to financial statements.

**CITY OF LINDSAY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2007**

	General Fund	Other Governmental Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 86,297	\$ 542	\$ 86,839
Certificates of deposit	666,754	-	666,754
Property taxes receivable (net)	102,460	-	102,460
Liquor and motel taxes receivable	2,827	-	2,827
Sales taxes receivable	8,174	-	8,174
Accrued interest	1,047	-	1,047
Total assets	<u>\$ 867,559</u>	<u>\$ 542</u>	<u>\$ 868,101</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,971	\$ -	\$ 2,971
Accrued payroll liabilities	1,440	-	1,440
Deferred revenue	92,098	542	92,640
Total liabilities	<u>96,509</u>	<u>542</u>	<u>97,051</u>
<b>FUND BALANCES</b>			
Designated for improvements related to grant	225,000	-	225,000
Unreserved	546,050	-	546,050
Total fund balances	<u>771,050</u>	<u>-</u>	<u>771,050</u>
Total liabilities and fund balances	<u>\$ 867,559</u>	<u>\$ 542</u>	<u>\$ 868,101</u>

See accompanying notes to financial statements.

**CITY OF LINDSAY**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE  
SHEET TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007**

Total fund balances - governmental funds balance sheet	\$ 771,050
Amounts reported for governmental activities in the statement of net assets are difference because:	
Capital assets used in governmental activities are not reported in the funds.	606,676
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	92,098
Net assets of governmental activities - statement of net assets	<u>\$ 1,469,824</u>

See accompanying notes to financial statements.

**CITY OF LINDSAY****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	General Fund	Other Governmental Fund	Total Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 98,736	\$ -	\$ 98,736
Franchise taxes (fees)	40,440	-	40,440
Liquor taxes	7,498	-	7,498
Motel taxes	7,158	-	7,158
Sales taxes	97,222	-	97,222
Licenses and permits	11,202	-	11,202
Fees	25,586	-	25,586
Grants and donations	-	1,021	1,021
Interest	36,088	-	36,088
Total revenues	323,930	1,021	324,951
<b>EXPENDITURES</b>			
General government	84,339		84,339
Public safety			
Court	9,277		9,277
Police	53,733	1,021	54,754
Fire	5,063		5,063
Disaster	6,154		6,154
Recreation	17,042		17,042
Streets and improvements	28,678		28,678
Total expenditures	204,286	1,021	205,307
Excess (deficiency) of revenues over (under) expenditures	119,644	-	119,644
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to other fund	(43,411)	-	(43,411)
Total other financing sources (uses)	(43,411)	-	(43,411)
Net change in fund balances	76,233	-	76,233
Fund balances - beginning	694,817	-	694,817
Fund balances - ending	\$ 771,050	\$ -	\$ 771,050

See accompanying notes to financial statements.

# **CITY OF LINDSAY**

## **RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Net change in fund balances - total governmental funds	\$ 76,233
Amounts reported for governmental activities in the statement activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA	35,178
The depreciation of capital assets used in governmental activities is not reported in the funds	(27,958)
Certain property tax revenues are deferred in the funds. This is the change in these amounts for this year.	8,381
Change in net assets of governmental activities - statement of activities	<u>\$ 91,834</u>

See accompanying notes to financial statements.

**CITY OF LINDSAY**  
**STATEMENT OF FUND NET ASSETS**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2007**

	<u>Water and Sewer Utilities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 123,756
Certificates of deposit	487,286
Accounts receivable	12,657
Total current assets	<u>623,699</u>
Restricted assets:	
Cash - meter deposits	5,605
Certificate of deposit - meter deposits	10,600
Lease reserve	39,955
Total restricted assets	<u>56,160</u>
Capital assets:	
Plant and equipment (net)	503,905
Land	10,000
Total capital assets	<u>513,905</u>
Total assets	<u>1,193,764</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	14,296
Customer deposits	16,280
Current lease payable	41,160
Less: discount on lease payable	(16,160)
Total current liabilities	<u>55,576</u>
Long term liabilities:	
Lease payable	276,394
Less: discount on lease payable	(57,553)
Total long term liabilities	<u>218,841</u>
Total liabilities	<u>274,417</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	270,064
Restricted for lease reserve	39,955
Unrestricted	609,328
Total net assets	<u>\$ 919,347</u>

See accompanying notes to financial statements.

**CITY OF LINDSAY****STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Water and Sewer Utilities</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Water and sewer charges	\$ 189,927
Water connection fees	
Sanitation charges	44,830
Franchise fees	<u>7,843</u>
Total operating revenues	<u>242,600</u>
<b>OPERATING EXPENSES</b>	
Depreciation	29,795
General and administrative	17,090
Labor	14,693
Payroll expenses	11,796
Repairs and maintenance	26,793
Supplies	3,994
Testing and inspections	1,295
Utilities	<u>80,314</u>
Total operating expenses	<u>185,770</u>
Operating income	<u>56,830</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	27,704
Interest expense	<u>(19,211)</u>
Total nonoperating revenues (expenses)	<u>8,493</u>
Net income before contributions and transfers	65,323
Transfers from other funds	<u>43,411</u>
Change in net assets	108,734
Net assets - beginning	810,613
Net assets - ending	<u>\$ 919,347</u>

See accompanying notes to financial statements.

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**CITY OF LINDSAY**  
**STATEMENT OF CASH FLOWS**  
**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Cash flows from operating activities:		
Cash received from customers	\$	244,499
Cash payments to suppliers for goods and services		(121,220)
Cash payments to employees and contractors for services		(26,489)
Net cash provided (used) by operating activities		<u>96,790</u>
Cash flows from capital and related financing activities:		
Principal payments on capital lease		(20,000)
Interest paid on capital lease		(19,211)
Purchases of fixed assets		(8,216)
Operating transfers in from general fund		43,411
Net cash provided (used) capital and related financing activities		<u>(4,016)</u>
Cash flows from investing activities:		
Interest income		27,704
Net (purchases)/maturities of certificates of deposits		(72,789)
Net cash provided (used) by investing activities		<u>(45,085)</u>
Net increase (decrease) in cash and cash equivalents		47,689
Cash and equivalents, beginning		<u>81,672</u>
Cash and equivalents, ending	\$	<u>129,361</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$	56,830
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		29,795
(Increase) Decrease in accounts receivable		505
Increase (Decrease) in accounts payable		8,265
Increase (Decrease) in customer deposits		1,395
Net cash provided (used) by operating activities	\$	<u>96,790</u>
Noncash investing, capital, and financing activities:		
There were no significant noncash investing, capital, and financing activities during the reported period.		

	Current Assets	Restricted Assets	Statement of Cash Flows Total
Cash and cash equivalents - beginning	\$ 77,387	\$ 4,285	\$ 81,672
Net increase (decrease)	46,369	1,320	47,689
Cash and cash equivalents - ending	<u>\$ 123,756</u>	<u>\$ 5,605</u>	<u>\$ 129,361</u>

See accompanying notes to financial statements.

**CITY OF LINDSAY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**A. Summary of Significant Accounting Policies**

The basic financial statements of the City of Lindsay (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units. The City applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**1. Reporting Entity**

The City of Lindsay, Texas ("City"), is incorporated under the provisions of the laws of the State of Texas. The City is governed by a mayor and city council that are elected. The City provides the water and sewer services and garbage collection as authorized by charter. The City also collects taxes and fees to fund the general operations of the City.

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

**Government-Wide Statements:** The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.