

Chain of Custody Record

Nº 011248

| Region | Organization # | PCA Code | Program | Sampler Telephone number: | | | | | | | |
|--------------------|---------------------|----------|--------------------|---------------------------|-------------|-------------------|-----|----|-------|----------------------------|---------|
| 01 | 4804 | 94039 | W0 | 877388 5847 | | | | | | | |
| E-Mail ID: | Sampler (Signature) | Date | Time | # of Bottles | Grab/ Comp. | Matrix L.S.M.O.T. | CL2 | pH | Cond. | Analyses Requested | REMARKS |
| Candace | <i>[Signature]</i> | 1/30/04 | 10:50 | 2 | G | L | N/A | 76 | 5.4 | BOD TSS NH ₃ -N | |
| -01 | | | | | | | | | | | |
| -02 | | | | | | | | | | | |
| -03 | | | | | | | | | | | |
| -04 | | | | | | | | | | | |
| -05 | | | | | | | | | | | |
| -06 | | | | | | | | | | | |
| -07 | | | | | | | | | | | |
| -08 | | | | | | | | | | | |
| -09 | | | | | | | | | | | |
| -10 | | | | | | | | | | | |
| Relinquished by: | Date | Time | Received by: | Date | Time | | | | | | |
| <i>[Signature]</i> | 1/30/04 | 1300 | | | | | | | | | |
| Relinquished by: | Date | Time | Received by: | Date | Time | | | | | | |
| | | | | | | | | | | | |
| Relinquished by: | Date | Time | Received by: | Date | Time | | | | | | |
| | | | | | | | | | | | |
| Relinquished by: | Date | Time | Received by: | Date | Time | | | | | | |
| <i>[Signature]</i> | 1/14/04 | 8:20 | <i>[Signature]</i> | | | | | | | | |
| Shipper Name: | Shipment Number: | | | | | | | | | | |
| Greylound | 011 167 383 6802 | | | | | | | | | | |



TCEQ Laboratory
Report of Analysis
Jan 29, 2004 8:13 AM

Page 1 of 1

| | | | |
|-----------------------------------|-------------------|-------------------------------|---------------|
| TCEQ Sample #: 0400100 | Group #: 20040041 | Chain of Custody #: 011248-01 | Region: 4 |
| Program: Water Quality Monitoring | | Organization #: 4204 | Work #: 94039 |
| Sample Collected: 1/13/04 10:50 | | Permit #: 10923-01 | |
| Sample Received: 01/14/04 | Matrix: LIQUID | Sample Collected: CLANDRUM | |
| Sample Depth: | CL2R: | Field pH: 7.6 | Conductivity: |
| Collection Site: Lindsay--Grab | | | |

| Constituent Name | Result | Unit | Prepared | Analyzed | Method |
|---------------------------|--------|------|----------|----------------|--------|
| Ammonia Nitrogen | 28.2 | mg/L | | 01/21/04 11:45 | 350.1 |
| BOD (5 day) | 32 | mg/L | | 01/15/04 8:30 | 405.1 |
| Total Suspended Solids | 20 | mg/L | | 01/15/04 8:30 | 160.2 |
| Volatile Suspended Solids | 18 | mg/L | | 01/15/04 8:30 | 160.4 |

End of Data for TCEQ Sample #: 0400100

Laboratory Approval: _____

Jan 29, 2004

TNRFYNL.rpt

Modified Date: 24-Jul-2000

CITY OF LINDSAY

WATER AND SEWER CNN APPLICATION

EXHIBIT C

CITY OF LINDSAY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended October 31, 2004

City of Lindsay
Annual Financial Report
For The Year Ended October 31, 2004

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Financial Section

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HESS & ROHMER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

BRIAN D. HESS, CPA
MELODY ROHMER, CPA
LESLIE DANGELMAYR, 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 October 31, 2004, 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.

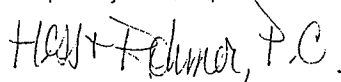
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 opinion.

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 October 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for 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 24, 2005, on our consideration of the City of Lindsay, State of Texas internal control over financial reporting and 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.

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

Respectfully submitted,



Hess & Rohmer, P.C.

January 24, 2005

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 October 31, 2004. 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 \$1,847,898 at October 31, 2004.

During the year, the City had expenses that were \$98,508 less than the \$406,622 generated in tax and other revenues for governmental programs, thereby increasing the City's net assets by approximately 5.6%.

Total cost of the City's programs decreased from last year, with no new programs added this year.

The General Fund ended the year with a fund balance of \$682,056.

The resources available for appropriation were \$12,369 less 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

The City implemented GASB Statement #34 this year. We did not present net asset measurements in prior years since they were not required by generally accepted accounting principles. Therefore, our analysis of comparative balances and changes therein is limited to the current year's operations. In future years, we will present both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental and business-type activities.

Net assets of the District's governmental activities increased from \$1,749,390 to \$1,847,898. 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 \$1,106,162 at October 31, 2004. This increase in governmental net assets represents an increase of 5.6 percent from the prior year.

Table I
City of Lindsay

NET ASSETS

| | Governmental Activities 2004 | Business-type Activities 2004 | Total |
|--|------------------------------------|-------------------------------------|-----------|
| Current and other assets | 743,185 | 375,636 | 1,118,821 |
| Restricted assets | - | 51,155 | 51,155 |
| Capital assets | 478,160 | 525,795 | 1,003,955 |
| Total assets | 1,221,345 | 952,586 | 2,173,931 |
| Current liabilities | 3,156 | 40,703 | 43,859 |
| Long term liabilities | - | 282,174 | 282,174 |
| Total liabilities | 3,156 | 322,877 | 326,033 |
| Net Assets: | | | |
| Invested in capital assets net of related debt | 478,160 | 223,621 | 701,781 |
| Restricted | - | 39,955 | 39,955 |
| Unrestricted | 740,029 | 366,133 | 1,106,162 |
| Total net assets | 1,218,189 | 629,709 | 1,847,898 |

Table II
City of Lindsay

CHANGES IN NET ASSETS

| | Governmental Activities 2004 | Business-type Activities 2004 | Total |
|---|------------------------------------|-------------------------------------|-----------|
| Revenues: | | | |
| Program Revenues: | | | |
| Charges for Services | 21,146 | 166,065 | 187,211 |
| Operating grants and contributions | 1,479 | - | 1,479 |
| General Revenues: | | | |
| Property taxes | 80,911 | - | 80,911 |
| Sales & liquor taxes | 78,078 | - | 78,078 |
| Franchise taxes (fees) | 33,695 | 6,391 | 40,086 |
| Investment Earnings | 13,388 | 5,469 | 18,857 |
| Total Revenue | 228,697 | 177,925 | 406,622 |
| Expenses: | | | |
| General government | 56,587 | | 56,587 |
| Court | 9,465 | | 9,465 |
| Police | 53,731 | | 53,731 |
| Fire | 5,659 | | 5,659 |
| Recreation | 2,103 | | 2,103 |
| Streets | 30,241 | | 30,241 |
| Water & sewer utilities | | 114,004 | 114,004 |
| Solid waste management | | 36,324 | 36,324 |
| Total Expenses | 157,786 | 150,328 | 308,114 |
| Increase in net assets before transfers and special items | 70,911 | 27,597 | 98,508 |
| Transfers | (36,299) | 36,299 | - |
| Special Items | - | - | - |
| Net assets, beginning of year | 1,183,577 | 565,813 | 1,749,390 |
| Net assets, end of year | 1,218,189 | 629,709 | 1,847,898 |

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 \$157,786.
- However, the amount that our taxpayers paid for these activities through property taxes was \$80,911, and through sales & liquor taxes was \$78,078.
- Some of the cost was paid by those who directly benefited from the programs, \$21,146, or
- By grants and contributions \$1,479.
- The cost of all *business-type* activities this year was \$150,328.
- This cost was paid by those who directly benefited from the program, \$166,065.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of \$682,056, which has increased from last year's total of \$641,870. There were no significant changes in individual fund balances from the prior year.

During Fiscal Year 2004 the City dealt with declining sales tax revenue due to the neighboring city Gainesville going "wet" and the closing of several local retail businesses. Sales tax revenue declined 23% in comparison to prior year. This event is what prompted the City to assess property taxes for the first time in 2003.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004, the City had \$1,594,996 in a broad range of capital assets, including land, equipment, buildings, and vehicles. This amount represents a net increase of \$0, or 0 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 \$302,174 in capital leases outstanding versus \$322,174 last year—a net decrease of 6.2 percent.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board approved a \$.22/\$100 tax rate for 2004-2005, which was the same rate for 2003-2004. In comparison to prior years, there were less repairs and maintenance to the water department and to general city operations (i.e. streets) for 2003-2004. For 2004-2005, the Board has included in its budget, water department tank refurbishing and the purchase of new aerators for the sewer plant. The City also plans on making some park improvements to update the kitchen.

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
OCTOBER 31, 2004

| | Primary Government | | |
|---|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 14,793 | \$ 70,162 | \$ 84,955 |
| Certificates of deposit | 648,000 | 297,000 | 945,000 |
| Receivables | | | |
| Accounts | | 8,048 | 8,048 |
| Property taxes (net) | 67,428 | | 67,428 |
| Sales taxes | 5,881 | | 5,881 |
| Due from state | 6,243 | | 6,243 |
| Accrued interest | 840 | 426 | 1,266 |
| Total current assets | <u>743,185</u> | <u>375,636</u> | <u>1,118,821</u> |
| Restricted assets: | | | |
| Cash - meter deposits | - | 600 | 600 |
| Certificate of deposit -meter deposits | | 10,600 | 10,600 |
| Lease reserve | | 39,955 | 39,955 |
| Total restricted assets | <u>-</u> | <u>51,155</u> | <u>51,155</u> |
| Capital assets: | | | |
| Buildings and improvements (net) | 368,070 | - | 368,070 |
| Plant and equipment (net) | 14,578 | 515,795 | 530,373 |
| Streets (net) | 71,812 | | 71,812 |
| Land | 23,700 | 10,000 | 33,700 |
| Total capital assets | <u>478,160</u> | <u>525,795</u> | <u>1,003,955</u> |
| Total assets | <u>1,221,345</u> | <u>952,586</u> | <u>2,173,931</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 1,818 | 9,503 | 11,321 |
| Accrued payroll taxes | 1,014 | | 1,014 |
| Customer deposits | | 11,200 | 11,200 |
| Deferred revenue | 324 | | 324 |
| Current lease payable | | 39,935 | 39,935 |
| Less: discount on lease payable | | (19,935) | (19,935) |
| Total current liabilities | <u>3,156</u> | <u>40,703</u> | <u>43,859</u> |
| Long term liabilities: | | | |
| Lease payable | - | 392,297 | 392,297 |
| Less: discount on lease payable | | (110,123) | (110,123) |
| Total long term liabilities | <u>-</u> | <u>282,174</u> | <u>282,174</u> |
| Total liabilities | <u>3,156</u> | <u>322,877</u> | <u>326,033</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 478,160 | 223,621 | 701,781 |
| Restricted for lease reserve | | 39,955 | 39,955 |
| Unrestricted | <u>740,029</u> | <u>366,133</u> | <u>1,106,162</u> |
| Total net assets | <u>\$ 1,218,189</u> | <u>\$ 629,709</u> | <u>\$ 1,847,898</u> |

See accompanying notes to financial statements.

CITY OF LINDSAY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2004

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue |
|--------------------------------|-------------------|-------------------------|--|--------------------------|
| | | Charges for Services | Operating Grants and Contributions | |
| Governmental activities: | | | | |
| General government | \$ 56,587 | \$ 3,957 | | \$ (52,630) |
| Public safety: | | | | |
| Court | 9,465 | 16,264 | | 6,799 |
| Police | 53,731 | | 1,479 | (52,252) |
| Fire | 5,659 | | | (5,659) |
| Recreation | 2,103 | 925 | | (1,178) |
| Streets | 30,241 | | | (30,241) |
| Total governmental activities | <u>157,786</u> | <u>21,146</u> | <u>1,479</u> | <u>(135,161)</u> |
| Business-type activities: | | | | |
| Water and sewer utilities | 114,004 | 132,904 | - | 18,900 |
| Solid waste management | 36,324 | 33,161 | | (3,163) |
| Total business-type activities | <u>150,328</u> | <u>166,065</u> | <u>-</u> | <u>15,737</u> |
| Total primary government | <u>\$ 308,114</u> | <u>\$ 187,211</u> | <u>\$ 1,479</u> | <u>\$ (119,424)</u> |

See accompanying notes to financial statements.

CITY OF LINDSAY
STATEMENT OF ACTIVITIES (continued)
FOR THE YEAR ENDED OCTOBER 31, 2004

| | Primary Government | | |
|---|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total |
| Change in net assets: | | | |
| Net (expense) revenue | \$ (135,161) | \$ 15,737 | \$ (119,424) |
| General revenues: | | | |
| Taxes: | | | |
| Property | 80,911 | | 80,911 |
| Franchise (fees) | 33,695 | 6,391 | 40,086 |
| Liquor | 4,901 | | 4,901 |
| Sales | 73,177 | | 73,177 |
| Interest income | 13,388 | 5,469 | 18,857 |
| Transfers | (36,299) | 36,299 | - |
| Total general revenues and transfers | 169,773 | 48,159 | 217,932 |
| Change in net assets | 34,612 | 63,896 | 98,508 |
| Net assets - beginning | 1,183,577 | 565,813 | 1,749,390 |
| Net assets - ending | <u>\$ 1,218,189</u> | <u>\$ 629,709</u> | <u>\$ 1,847,898</u> |

See accompanying notes to financial statements.

CITY OF LINDSAY
BALANCE SHEET - GOVERNMENTAL FUNDS
OCTOBER 31, 2004

| | General Fund | Other Governmental Fund | Total Governmental Funds |
|-------------------------------------|-------------------|-------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 14,472 | \$ 321 | \$ 14,793 |
| Certificates of deposit | 648,000 | | 648,000 |
| Property taxes receivable (net) | 67,428 | | 67,428 |
| Sales taxes receivable | 5,881 | | 5,881 |
| Due from state | 6,243 | | 6,243 |
| Accrued interest | 840 | | 840 |
| Total assets | <u>\$ 742,864</u> | <u>\$ 321</u> | <u>\$ 743,185</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 1,818 | \$ - | \$ 1,818 |
| Accrued payroll taxes | 1,014 | | 1,014 |
| Deferred revenue | 57,976 | 321 | 58,297 |
| Total liabilities | <u>60,808</u> | <u>321</u> | <u>61,129</u> |
| FUND BALANCES | | | |
| Unreserved | 682,056 | - | 682,056 |
| Total fund balances | <u>682,056</u> | <u>-</u> | <u>682,056</u> |
| Total liabilities and fund balances | <u>\$ 742,864</u> | <u>\$ 321</u> | <u>\$ 743,185</u> |

See accompanying notes to financial statements.

CITY OF LINDSAY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET ASSETS
OCTOBER 31, 2004

| | |
|--|---------------------|
| Total fund balances - governmental funds balance sheet | \$ 682,056 |
| 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. | 478,160 |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. | <u>57,973</u> |
| Net assets of governmental activities - statement of net assets | <u>\$ 1,218,189</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 OCTOBER 31, 2004

| | General Fund | Other Governmental Fund | Total Governmental Funds |
|--|-------------------|-------------------------------|--------------------------------|
| REVENUES | | | |
| Property taxes | \$ 67,354 | \$ - | \$ 67,354 |
| Franchise taxes (fees) | 33,695 | | 33,695 |
| Liquor taxes | 4,901 | | 4,901 |
| Sales taxes | 73,177 | | 73,177 |
| Licenses and permits | 3,258 | | 3,258 |
| Fees | 17,888 | | 17,888 |
| Grants and donations | 200 | 1,279 | 1,479 |
| Interest | 13,388 | | 13,388 |
| Total revenues | <u>213,861</u> | <u>1,279</u> | <u>215,140</u> |
| EXPENDITURES | | | |
| General government | 49,762 | - | 49,762 |
| Public safety | | | |
| Court | 8,314 | | 8,314 |
| Police | 45,918 | 1,279 | 47,197 |
| Fire | 4,971 | | 4,971 |
| Recreation | 1,847 | | 1,847 |
| Streets | 26,564 | | 26,564 |
| Total expenditures | <u>137,376</u> | <u>1,279</u> | <u>138,655</u> |
| Excess (deficiency) of revenues over (under) expenditures | 76,485 | - | 76,485 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers to other fund | (36,299) | - | (36,299) |
| Total other financing sources (uses) | <u>(36,299)</u> | <u>-</u> | <u>(36,299)</u> |
| Net change in fund balances | 40,186 | - | 40,186 |
| Fund balances - beginning | 641,870 | - | 641,870 |
| Fund balances - ending | <u>\$ 682,056</u> | <u>\$ -</u> | <u>\$ 682,056</u> |

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 OCTOBER 31, 2004**

| | |
|--|------------------|
| Net change in fund balances - total governmental funds | \$ 40,186 |
| Amounts reported for governmental activities in the statement activities ("SOA") are different because: | |
| Capital outlays are not reported as expenses in the SOA | 180 |
| Loss on disposal of assets are not reported in the funds. | (141) |
| The depreciation of capital assets used in governmental activities is not reported in the funds | (19,170) |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts for this year. | <u>13,557</u> |
| Change in net assets of governmental activities - statement of activities | <u>\$ 34,612</u> |

See accompanying notes to financial statements.

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

| | Water and Sewer Utilities |
|---|------------------------------|
| ASSETS | |
| 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> |
| LIABILITIES | |
| 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> |
| NET ASSETS | |
| 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> |
|---|--------------------------------------|
| OPERATING REVENUES | |
| Charges for services: | |
| Water and sewer charges | \$ 129,778 |
| Water connection fees | 3,126 |
| Sanitation charges | 33,161 |
| Franchise fees | <u>6,391</u> |
| Total operating revenues | <u>172,456</u> |
| OPERATING EXPENSES | |
| 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 | <u>55,565</u> |
| Total operating expenses | <u>129,169</u> |
| Operating income | <u>43,287</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| 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> |
|---|-------------------------------|-------------------|------------------|----------------------------|
| <i>Governmental activities:</i> | | | | |
| <i>Capital assets not being depreciated</i> | | | | |
| Land | \$ 23,700 | -- | -- | \$ 23,700 |
| 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 | 120,135 | -- | -- | 120,135 |
| 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 | (44,441) | (3,882) | -- | (48,323) |
| 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> |
|--|-------------------------------|-------------------|------------------|----------------------------|
| <i>Business-type activities:</i> | | | | |
| <i>Capital assets not being depreciated</i> | | | | |
| Land | \$ 10,000 | -- | -- | \$ 10,000 |
| 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 | 949,944 | -- | -- | 949,944 |
| Total capital assets being depreciated | <u>949,944</u> | <u>--</u> | <u>--</u> | <u>949,944</u> |
| Less accumulated depreciation for: | | | | |
| Plant and equipment | (402,203) | (31,946) | -- | (434,149) |
| 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 | | |
| REVENUES | | | | |
| 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> |
| EXPENDITURES | | | | |
| 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> |
| OTHER FINANCING SOURCES (USES) | | | | |
| 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,
MELODY ROHMER,
LESLIE DANGELMAYR,

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

| Billing Code | Description | Class | Income | Quantity | Price | Rate |
|-------------------|------------------------------------|----------|--------|------------------------------|-----------|-----------------------------------|
| WATER | | | | | | |
| 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 1/2" 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 |
| SEWER | | | | | | |
| 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 |
| GARBAGE | | | | | | |
| 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 |
| FEES | | | | | | |
| RC | Reconnection Fee | F-Nontax | | Minimum | \$20.00 | XXXXXXXXXXXXXXXXXXXX |
| RTO | Returned Check Fee | L-Nontax | | Minimum | \$20.00 | XXXXXXXXXXXXXXXXXXXX |
| OTHER FEES | | | | | | |
| | 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" 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" | \$38.00 | 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