



City of Cottonwood Shores

3915 Cottonwood Drive
Marble Falls, Texas 78654
Tel: (210) 693-3830

SPECIAL CITY MEETING SEPTEMBER 30, 1996

Mayor Maugham called the Special City Meeting to order at 7.03 p.m. Commissioner Gawlik and Commissioner Pfeifer were present and confirmed by roll call.

(a) No action taken.

(b) Burl Harper of Clark, Harper, Brooks, and Co. presented the completed audit to the Mayor and Commissioners. Burl Harper highlighted the more important points of the audit for the council. After the council reviewed the contents of the audit for some time, Commissioner Gawlik motioned to accept the audit as written by Clark, Harper, Brooks & Co. P.C. firm. Commissioner Pfeifer seconded the motion. Motion was carried.

(c) Mayor Maugham read Glenn Henderson's letter of resignation and asked if he would reconsider resigning. Mayor Maugham also stated that Glenn Henderson does attend the city meetings which is more than the current building committee does and that a change has been needed in the committee. Commissioner Pfeifer agreed that a change has been needed in the building committee. Mayor Maugham stated that she has wanted to change this and wants persons who will attend workshops and regular meetings and that the city was currently looking at amending the ordinance on building and zoning and wants help from the committee. Commissioner Pfeifer made a motion to dismiss Tony Satsky and Ima Gene Thompson from the building committee and appoint Paul Hancock to the building committee. Commissioner Gawlik seconded the motion. Motion was carried.

(d) Resolution 093096 was read by Mayor Maugham regarding the lottery in the State of Texas. Commissioner Pfeifer made the motion to adopt Resolution 093096. Commissioner Gawlik seconded the motion. Motion was carried.

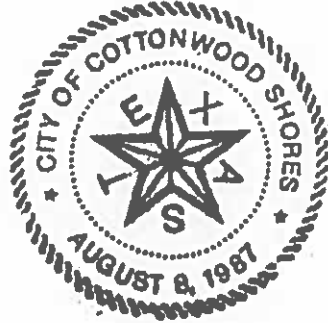
Meeting adjourned at 8.06 p.m.

Respectfully,

Teri Hogan

Teri Hogan
City Secretary

Patti Maugham
Mayor Patti Maugham





City of Cottonwood Shores

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Marble Falls, Texas 78654
Tel: (210) 693-3830

**SPECIAL CITY MEETING
SEPTEMBER 30, 1996
7.00 P.M.
4111 COTTONWOOD DRIVE
COTTONWOOD SHORES, TEXAS**

SUPPLEMENT AGENDA

(d) Discussion and/or action Resolution #093096 relating to the proposed senate bill regarding the lottery.

I certify that the above notice was posted at City Hall, 3915 Cottonwood Drive, Cottonwood Shores, Texas this 27 day of September, 1996 at 9.00 a.m.

Respectfully,

**Teri Hogan
City Secretary**





City of Cottonwood Shores

3915 Cottonwood Drive
Marble Falls, Texas 78654
Tel: (210) 693-3830

**SPECIAL CITY MEETING
SEPTEMBER 30, 1996
7.00 P.M.
4111 COTTONWOOD DRIVE
COTTONWOOD SHORES, TEXAS**

AGENDA

- (a) Discussion and/or action on the hiring of Debbie Trevino as clerk for the City of Cottonwood Shores.**
- (b) Discussion and/or action on the approval of the 1994 - 1995 fiscal year audit as presented by Burl Harper of Clark, Harper, Brooks & Company.**
- (c) Discussion and/or action on Glenn Henderson's resignation from the city building committee and considering new appointments for the positions on the building committee.**

I certify that the above notice was posted at City Hall, 3915 Cottonwood Drive, Cottonwood Shores, Texas this 26 day of September, 1996 at 5.00 p.m.

Respectfully,

**Teri Hogan
City Secretary**



CITY OF COTTONWOOD SHORES

**General Purpose Financial Statements
Fiscal Year Ended September 30, 1995**

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FINANCIAL SECTION



JACK N. CLARK, CPA
BURL N. HARPER, CPA
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TEXAS SOCIETY OF
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Independent Auditor's Report

To the Honorable Mayor and City Council
City of Cottonwood Shores

We have audited the accompanying general purpose financial statements of the City of Cottonwood Shores, Texas, as of the and for the year ended September 30, 1995, as listed in the accompany table of contents. These general purpose statements are the responsibility of the City of Cottonwood Shores, Texas, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *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 assurances about whether the general purpose financial statements are free of material misstatement and whether management has complied with laws and regulations. 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the City of Cottonwood Shores, Texas, as of September 30, 1995, and the results of its operations and cash flows of the propriety fund types for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual account group financial statements, and the other schedules listed in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Cottonwood Shores, Texas. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

We have also issued a report dated September 27, 1996, on our consideration of the City of Cottonwood Shores, Texas' internal control structure and a report dated September 27, 1996, on its compliance with laws and regulations.

Clark, Harper, Brooks & Co., P.C.

September 27, 1996

<u>Proprietary Fund Type Water and Garbage Fund</u>	<u>Account Group General Fixed Assets</u>	<u>Totals (Memorandum Only) September, 30 1995</u>
\$	\$	\$ 13,727
		65,489
		7,040
23,241		23,241
25,962		25,962
39,810		39,810
1,671,850		1,671,850
51,296		51,296
(37,122)		(37,122)
	<u>17,299</u>	<u>17,299</u>
<u>\$ 1,775,037</u>	<u>\$ 17,299</u>	<u>\$1,878,592</u>
\$ 3,962	\$	\$ 4,001
13,250		13,250
8,000		8,000
8,160		8,160
		7,040
		25,962
<u>614,000</u>	<u></u>	<u>614,000</u>
<u>\$ 647,372</u>	<u>\$</u>	<u>\$ 680,413</u>
\$, 1,096,058	\$	\$ 1,096,058
	17,299	17,299
17,649		17,649
13,958		13,958
		<u>53,215</u>
<u>\$ 1,127,665</u>	<u>\$ 17,299</u>	<u>\$ 1,198,179</u>
<u>\$ 1,775,037</u>	<u>\$ 17,299</u>	<u>\$ 1,878,592</u>

**CITY OF COTTONWOOD SHORES
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
 YEAR ENDED SEPTEMBER 30, 1995**

	<u>General Fund</u>	<u>Totals (Memorandum Only) September 30, 1995</u>
CONTINUED		
Other Departments:		
Volunteer Fire Department	\$ 3,377	\$ 3,377
Streets & Drainage	4,567	4,567
Municipal Court	680	680
Building and Zoning	2,500	2,500
Maintenance and Capital Improvements	5,323	5,323
Animal Control	262	262
Civic Pride	1,252	1,252
Miscellaneous	<u>6,770</u>	<u>6,770</u>
Total Other Departments	<u>24,731</u>	<u>24,731</u>
 Total Expenditures	 <u>68,504</u>	 <u>68,504</u>
 Excess of Revenues over Expenditures	 <10,010>	 <10,010>
Fund Balance - October 1, 1994	<u>63,225</u>	<u>63,225</u>
 Fund Balance - September 30, 1995	 <u>\$ 53,215</u>	 <u>\$ 53,215</u>

The accompanying notes are an integral part of these financial statements

**CITY OF COTTONWOOD SHORES
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND - YEAR ENDED SEPTEMBER 30, 1995**

	<u>1995</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
CONTINUED			
Other Departments:			
Volunteer Fire Department	\$ 3,000	\$ 3,377	\$ (377)
Streets and Drainage	3,500	4,567	(1,067)
Animal Control	250	262	(12)
Municipal Court	800	680	120
Building and Zoning	250	2,500	(2,250)
Maintenance and Capital Improv.	2,150	5,323	(3,173)
Civic Pride	75	1,252	(1,177)
Miscellaneous	300	<u>6,770</u>	<u>(6,470)</u>
Total Other Departments	<u>10,325</u>	<u>24,731</u>	<u>(14,406)</u>
 Total Expenditures	 <u>47,477</u>	 <u>68,504</u>	 <u>(21,027)</u>
 Excess of Revenues over Expenditures	 2,373	 (10,010)	 (12,383)
 Fund Balance - October 1, 1994	 <u>63,225</u>	 <u>63,225</u>	 <u>-0-</u>
 Fund Balance - September 30, 1995	 <u>\$ 65,598</u>	 <u>\$ 53,215</u>	 <u>\$ (12,383)</u>

The accompanying notes are an integral part of these financial statements

**CITY OF COTTONWOOD SHORES
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
 YEAR ENDED SEPTEMBER 30, 1995**

	<u>Proprietary Fund Type Enterprise</u>	<u>Total (Memorandum Only) September 30, 1995</u>
CONTINUED		
Garbage Department:		
Contract Services	38,368	38,368
Sales Tax	<u>2,743</u>	<u>2,743</u>
Total Garbage Department	<u>41,111</u>	<u>41,111</u>
 Total Expenses	 <u>192,316</u>	 <u>192,316</u>
 Excess of Revenues over(under) Expenditures	 21,538	 21,538
 Retained Earnings, October 1, 1994	 <u>10,069</u>	 <u>10,069</u>
 Retained Earnings, September 30, 1995	 <u><u>\$ 31,607</u></u>	 <u><u>\$ 31,607</u></u>

The accompanying notes are an integral part of these financial statements

CITY OF COTTONWOOD SHORES
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - BUDGET AND ACTUAL-ENTERPRISE FUND
YEAR ENDED SEPTEMBER 30, 1995

	1995		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
Revenues			
Water Sales	\$ 85,352	\$ 109,710	\$ 24,358
Sewer Sales	61,000	39,759	(21,241)
Garbage Collection Fees	44,391	46,625	2,234
Connection Fees and Other	2,250	17,431	15,181
Interest on Investments	-0-	329	329
Total Revenues	<u>192,993</u>	<u>213,854</u>	<u>20,861</u>
Expenses			
Water Department:			
Salaries and Labor	45,605	38,706	6,899
Payroll Tax	4,045	3,340	705
Advertising	500	135	365
Accounting and Auditing	-0-	-0-	-0-
Attorney Fees	-0-	-0-	-0-
Telephone and Utilities	8,500	8,594	(94)
Office Expense	1,000	736	264
Insurance	4,000	3,899	101
Travel and Fuel	4,100	1,575	2,525
Postage	1,200	1,516	(316)
Water Purchases	14,400	12,697	1,703
Chemicals and Testing	4,000	3,621	379
Repairs and Maintenance	12,600	7,325	5,275
Fees and Licenses	1,050	1,718	(668)
Education	850	417	433
Depreciation	-0-	5,497	(5,497)
Interest	8,120	7,082	1,038
Miscellaneous	300	1,557	(1,257)
Total Water Department	<u>110,270</u>	<u>98,415</u>	<u>11,855</u>
Sewer Department:			
Contract Services	20,500	9,977	10,523
Utilities	4,672	3,009	1,663
Supplies and Repairs	200	895	(695)
Sewer Taps	-0-	7,120	(7,120)
Interest	17,581	12,678	4,903
Depreciation	-0-	15,993	(15,993)
Fees	-0-	884	(884)
Miscellaneous	3,117	2,234	883
Total Sewer	<u>46,070</u>	<u>52,790</u>	<u>(6,720)</u>

The accompanying notes are an integral part of these financial statements

**CITY OF COTTONWOOD SHORES
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 1995**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Cottonwood Shores conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. Reporting Entity - The Mayor and City Council is the basic level of government which has oversight responsibility and control over all activities related to the City of Cottonwood Shores, Texas. The City of Cottonwood Shores receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the City is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since the Mayor and City Council are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

B. Fund Accounting - The accounts of the city are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. the various funds are grouped in the accompanying financial statements into the following categories:

Governmental Fund

General Fund - The general fund is the general operating fund of the city

Proprietary Fund

Enterprise Fund - The Water, Sewer and Garbage Fund is operated as an enterprise fund.

Account Groups

General Fixed Assets - Fixed assets used in governmental fund type operations are accounted for in this account group.

C. Basis of Accounting - Governmental fund type revenues and expenditures are recorded on the modified accrual basis. Revenues are recorded when they become available and measurable. Expenditures are recorded when the liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recorded when due.

D. Taxes Receivable - Property taxes are recorded as revenue when collected and the amount of billed but uncollected taxes are deferred pending collection.

E. Property, Plant and Equipment - Property, plant and equipment of the enterprise funds are recorded at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the asset. the estimated useful lives are as follows:

Water and Sewer Plant	40 years
Buildings and Improvements	20 years
Equipment	5-7 years

**CITY OF COTTONWOOD SHORES
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 1995**

The City contracts with the Burnet County Appraisal District for the appraisal and collection of taxes. For the tax roll for 1994 the assessed valuation was \$12,156,605 and a tax rate of \$.32 per \$100 valuation.

NOTE 4. RESTRICTED ASSETS

Restricted assets represent cash that has been set aside in the Water, Sewer and Garbage Fund for future payments of certificates of obligation and for the purchase and improvements to the water system.

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

A summary of fixed assets in the Water, Sewer and Garbage Fund as follows:

	<u>Balance</u> <u>10/1/94</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/95</u>
Land	\$ 10,500	\$ 8,484	\$ -0-	\$ 18,984
Water Plant	104,640			104,640
Building & Improvements	8,805			8,805
Office Furniture & Equipment	4,087			4,087
Construction in Progress	22,296	29,000		51,296
Wastewater Collection System	<u>1,167,805</u>	<u>367,529</u>		<u>1,535,334</u>
Total Fixed Assets	<u>\$1,318,133</u>	<u>\$405,013</u>	<u>\$ -0-</u>	<u>\$1,723,146</u>
Less: Accumulated Depreciation				<u>(37,122)</u>
Net Fixed Assets				<u>\$1,686,024</u>

NOTE 6. GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>10/1/94</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/95</u>
Building and Improvements	\$ 11,275	\$ -0-	\$ -0-	\$ 11,275
Office Furniture & Equipment	<u>6,024</u>			<u>6,024</u>
Total	<u>\$ 17,299</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 17,299</u>

NOTE 7. CERTIFICATES OF OBLIGATION

A summary of changes in revenue bonds payable follows:

	<u>Outstanding</u> <u>10/1/94</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding</u> <u>9/30/95</u>
Combination Tax & Revenue Certificates of Obligation Series #1990	\$ 97,000	\$ -0-	\$ 1,000	\$ 96,000

**CITY OF COTTONWOOD SHORES
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 1995**

NOTE 9. CAPITALIZED INTEREST

The City recorded interest in the amount of \$19,760 in 1995 on its outstanding debt. In addition, interest in the amount of \$15,845 was capitalized as part of its Sewer Plant.

NOTE 10. COMMITMENTS AND CONTINGENCIES

The City entered into a standard water sale contract for municipal uses with the Lower Colorado River Authority in January 1991 for a term of 25 years (through December 2015).

The City entered into a solid waste collection and disposal contract with Browning-Ferris Industries. The initial term of this contract was October 1, 1991, through September 30, 1992, with an automatic extension of the contract annually for two (2) additional years.

The City entered into a Wastewater Treatment Disposal contract in the Lake LBJ Municipal Utility District, effective November 10, 1993, for a term of forty (40) years. The agreement may be extended under terms mutually agreed upon by the City and the District.



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Single Audit Report on the Internal Control Structure Used in Administering Federal Assistance Programs

Independent Auditor's Report

To the Honorable Mayor and City Counsel
City of Cottonwood Shores, Texas

We have audited the general purpose financial statements of the City of Cottonwood Shores, Texas as of and for the year ended September 30 1995, and have issued our report thereon dated September 27, 1996. We have also audited the City of Cottonwood Shores' compliance with requirements applicable to major federal financial assistance programs and have issued a report thereon dated September 27, 1996.

We conducted our audits in accordance with generally accepted auditing standards; "*Government Auditing Standards*", issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Circular A-128; "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement and whether the City of Cottonwood Shores complied with laws and regulations, noncompliance with which would be material to a federal financial assistance program.

In planning and performing our audits for the year ended September 30, 1995, we considered the City's internal control structure in order to determine our audit procedures for the purpose of expressing our opinions on the City's general purpose financial statements and on its compliance with requirements applicable to major programs, and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated September 27, 1996.

The management of the City of Cottonwood Shores is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurances that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable law and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

control all phases of a transaction without the interrelated functioning of some other person or persons which affords a cross-check. Because of limited number of accounting personnel, the desired segregation of responsibilities does not exist.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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.

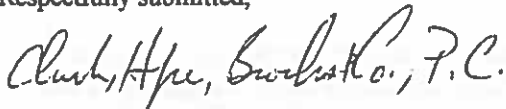
Our Consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We do not feel the above condition is a material weakness because:

1. The City had dual signatures on all checks,
2. Grant Expenditures and contracts were approved by Grantor agency, FmHA, prior to disbursements being made.

We noted certain immaterial matters involving the internal control structure and its operation that we have reported to the management of the City of Cottonwood Shores in a separate letter dated September 27, 1996.

This report is intended for the information of the City Council, management and appropriate federal agencies. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,



Clark, Harper, Brooks & Co., P.C.

September 27, 1996

Reportable conditions included:

1. The basic elements of sound internal control include appropriate segregation of functional responsibilities. Segregation of responsibilities is based upon the principle that no one person should control all phases of a transaction without the interrelated functioning of some other person or persons which affords a cross-check. Because of limited number of accounting personnel, the desired segregation of responsibilities does not exist.

2. The absence of general ledger accounting controls does not afford accounting personnel the ability to properly monitor account balances.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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.

Our consideration of the internal control structure would not be necessarily disclosed all matters in the internal control structure that might be reportable and, accordingly, would not necessarily disclose all reportable weaknesses as defined above. We do not feel the above condition is a material weakness because:

1. The City had dual signatures on all checks,

We noted certain immaterial matters involving the internal control structure and its operation that we have reported to the management of the City of Cottonwood Shores in a separate letter dated September 27, 1996.

This report is intended for the information of the City Council, management and appropriate federal agencies. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

Clark, Harper, Brooks & Co., P.C.

Clark, Harper, Brooks & Co., P.C.

September 27, 1996

CITY OF COTTONWOOD SHORES
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED SEPTEMBER 30, 1995

<i>PROGRAM</i>	<i>FINDINGS/NONCOMPLIANCE</i>	<i>QUESTIONED COSTS</i>
-----------------------	--------------------------------------	--------------------------------

Current Year's Comments

None



JACK N. CLARK, CPA
BURL N. HARPER, CPA
DARRELL R. BROOKS, CPA
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Single Audit Report On Compliance With General Requirements For Federal Financial Assistance Programs

To the Honorable Mayor and City Council
City of Cottonwood Shores, Texas

We have audited the financial statements of the City of Cottonwood Shores as of and for the year ended September 30, 1995, and have issued our report thereon dated September 27, 1996.

We have applied procedures to test the City of Cottonwood Shores' compliance with the following requirements applicable to each of its federal financial assistance programs, which are in the schedule of federal financial assistance, for the year ended September 30, 1995:

- a. Political Activity
- b. Civil Rights
- c. Cash Management
- d. Federal Financial Reports
- e. Allowable Costs/Cost Principle
- f. Drug Free Workplace
- g. Administrative Requirements
- h. Davis-Bacon Act

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments." Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion of The City of Cottonwood Shores' compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the result of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Cottonwood Shores had not complied, in all material respects, with those requirements. However, the results of our procedures may have disclosed immaterial instances of noncompliance with those requirements, which, if any, are described in the accompanying schedule of findings and questioned costs.

This report is intended for the information of the City Council, management, and appropriate federal agencies. However, this report is a matter of public record and its distribution is not limited.

Clark, Harper, Brooks & Co., P.C.

Clark, Harper, Brooks & Co., P.C.

September 27, 1996



JACK N. CLARK, CPA
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Report on Supplementary Schedule of Federal Financial Assistance

Independent Auditor's Report

To the Honorable Mayor and City Council
City of Cottonwood, Texas

We have audited the general purpose financial statements of the City of Cottonwood Shores, as of and for the year ended September 30, 1995, and have issued our report thereon dated September 27, 1996. These general purpose financial statements are the responsibility of the City of Cottonwood Shores' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit

We conducted our audit in accordance with generally accepted auditing standards and "*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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the City of Cottonwood Shores, taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

We have issued a report dated September 27, 1996, on our consideration of the City of Cottonwood Shores' internal control structure and a report dated September 27, 1996, on its compliance with laws and regulations.


Clark, Harper, Brooks & Co., P.C.

September 27, 1996

<u>ACCRUED(DEFERRED)</u> <u>GRANT REVENUE</u> <u>GRANT PERIOD</u>	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>ACCRUED(DEFERRED)</u> <u>GRANT REVENUE</u> <u>SEPTEMBER 30, 1995</u>
5/1/96 - 4/1/96	\$ 25,598	\$ 25,598	-0-
5/1/95 - 4/30/97	-0-	-0-	-0-
	<u>359,600</u>	<u>359,600</u>	<u>-0-</u>
	<u>\$ 385,198</u>	<u>\$ 385,198</u>	<u>\$ -0-</u>

**CITY OF COTTONWOOD SHORES
 SUPPLEMENTARY GRANT REVENUE
 AND EXPENSE SCHEDULE
 FOR YEAR ENDING SEPTEMBER 30, 1995**

Federal/State Financial Assistance

Federal Grantor: U.S Department of Housing and Urban Development

Pass Through Grantor: Texas Department of Housing and Community Affairs

CFDA Number: 14-228

Contract Number: 714209

Contract Period: 05/01/95 to 04/30/97

	<u>BUDGET</u>	<u>FEDERAL/STATE</u>		<u>MATCH</u>		<u>TOTAL</u>
		<u>PRIOR YEARS</u>	<u>CURRENT YEAR</u>	<u>PRIOR YEARS</u>	<u>CURRENT YEAR</u>	
REVENUE						
Federal State:	250,000					
Match:	12,500					
TOTAL REVENUE	<u>262,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EXPENSES						
Federal/State:						
Administration						
Water Facilities	230,500					
Engineering	19,500					
Other						
Match:						
Administration	6,000					
Water Facilities						
Engineering	6,500					
Other						
TOTAL EXPENSES	<u>262,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess Revenue over Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>