



# City of Cottonwood Shores

3915 Cottonwood Drive  
Marble Falls, Texas 78654  
Tel: 512/693-3830

REGULAR MEETING  
OF THE CITY COUNCIL  
February 11, 1993  
7:00 P.M.

## AGENDA

1. Approval of the Financial Report for the month of January, 1993.
2. Approval of the Minutes of the January 14, 1993 and January 28, 1993 meetings.
3. Discussion by Will Martin of PEC, updating residents of Cottonwood Shores on PEC activities.
4. Discussion and/or action on acceptance of letter of resignation from Mayor Joseph Beyer filed with City Secretary.
5. Discussion and/or action to fill the vacancy of Mayor.
6. Presentation of a plaque to Ray McBride for his years of service to the community.
7. Discussion and/or action on a request by Jason Leming to have the Dutch Leming Lane street signs and replace them with the same kind of sign.
8. Discussion and/or action to establish rental rates and a rental policy for the Community Center.
9. Discussion and/or action on a request by Alice Webb to amend the budget to give additional funds to the VFD, and request the use of the Community Center for their meetings on the 1st Tuesday of every month.
10. Discussion and/or action for Burnet County Appraisal District to temporarily reserve excess funds until the school funding issue has been resolved.
11. Discussion and/or action to make the Community Center accessible to the handicapped, as required by law.
12. Discussion and/or action on the Sewer project.
13. Open Discussion.



## City of Cottonwood Shores

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I certify that the above notice was posted on the bulletin board located at 3915 Cottonwood Drive, Cottonwood Shores, Texas this 8th day of February, 1993.

Respectfully,

*Shirley Pitts*

Shirley Pitts  
City Secretary/Clerk



## City of Cottonwood Shores

3915 Cottonwood Drive  
Marble Falls, Texas 78654  
Tel: 512/693-3830

### REGULAR MEETING

February 11, 1993  
7:00 p.m.

The meeting was called to order by Mayor Pro-Tem Jim Smyrl at the Community Center, located at 4111 Cottonwood Drive, Cottonwood Shores, Texas. All members of the City Council were present except Mayor Joseph Beyer.

The Financial Report for the month of January was read. Councilman Butler made a motion to accept the report as read. Councilman Gawlik seconded the motion. Motion carried.

Will Martin, of Pedernales Electric Co-op, presented the City Council with a check in the amount of \$5646.38 for the franchise tax payment.

The Minutes of the January 14, 1993 and January 28, 1993 meetings were read. Councilman Wilson made a motion to accept the Minutes as read. Councilman Butler seconded the motion. Motion carried.

The City Secretary asked Leon Upshaw to read the letter of resignation from Mayor Joseph Beyer. Mayor Pro-Tem Jim Smyrl said, in view of the circumstances, I suggest the Council accept the resignation of Mayor Beyer by acclamation, and at the same time thank Mayor Beyer for his unflagging attention to the City Hall. All - Ayes, 0 - Noes. The resignation was accepted by acclamation.

Councilman Gawlik nominated Dr. Leon Upshaw to serve out the term of Mayor. There was a question from the floor about holding two offices, as Leon Upshaw is now serving as Municipal Judge. The city Secretary explained that Leon Upsahw would have to resign the Judgeship because the office of Municipal Judge was created by an Ordinance. Leon stated that he had resigned as Municipal Judge just in case he was nominated. Councilman Butler made a motion to close the nomination. Councilman Gawlik seconded the motion. Councilman Wilson asked if it is possible for the Mayor Pro-Tem to serve as Mayor until the month of May when the election is held. Councilman Butler asked Mayor Pro-Tem Smyrl if he was willing to serve as Mayor. He stated he would, to the best of his ability, if that was the Council's wish. There was a motion to cease nominations. All - Ayes, 0 - Noes. Nominations ceased. Mayor Pro-Tem Smyrl asked for a vote for the nomination of Leon Upshaw taking the Mayor position on an interim basis until the May election.

Aye - Councilman Gawlik, Butler

Nay - Councilman Wilson, Schwing

The vote was 2 - Ayes, 2 - Noes. Mayor Pro-Tem Smyrl said that Leon Upshaw would probably have more time to devote to being Mayor at the present time than he would. Mayor Pro-Tem Smyrl then voted Aye to break the tie. He then turned the meeting over to newly appointed Mayor Leon Upshaw.

Mayor Upshaw stated that he appreciated the confidence the Council made to put him in this position. He also said that he was going to be Mayor according to the book and not how he feels about the sewer. It will be done legally and by the book. His utmost concern is the City, and he does want to help the City of Cottonwood Shores.

Minutes Cont'd 2-11-93

Councilman Butler said he would like to read something to everyone that he found in the newspaper that kind of falls in with the way our community is. The entire law is summed up in a single command. Love thy neighbor as thyself. If you keep biting and devouring each other, watch out or you will be destroyed by each other. Galations 5. Verse 14 through 15.

Councilman Gawlik asked Ray McBride to come forward. He presented him with a plaque that read: In appreciation to Ray Mc Bride for the many dedicated years of service to the community. The citizens of Cottonwood Shores 1993. Mayor Upshaw said that the plaque was a very small token for all of the work that he has done for the community.

After some discussion of letting Jason Leming have the Dutch Leming street signs, Councilman Smyrl made a motion to let him have the signs and replace them with the same kind, with Jason paying for the replacement signs. Councilman Butler seconded the motion. Motion carried.

Mayor Upshaw read the proposed Rental Policy for the Community Center. After much discussion, Councilman Wilson made a motion to table until further information could be obtained regarding the building being accessible to the handicapped and a Rental Policy could be revised. Councilman Schwing seconded the motion. Motion carried.

Alice Webb made a presentation to the Council that the Volunteer Fire Department does not have very much support from the community. She also presented the Council with a Financial Statement from the Fire Department. She said she gave the Council the report to let them know how the Fire Department spends their money. She explained that the Fire Department has only nine members. Two of the firefighters are just on call in case there is a fire. Three of their members serve on two fire departments. Two more of the members not only serve on the fire department, but they also coach little league teams and serve on the Fire Association. Alice explained that she was the Secretary of the Little League Association. The reason she was explaining about this, is because of the lack of support of the community and the City. The Cottonwood Fire Department does not have an Auxiliary like other Departments do. She stated that they will be having an Open House at the Fire Hall on March 16, 1993 to start an Auxiliary. She continued to explain some of the costs they have incurred in repairing the Fire Trucks and also the cost to bunk out one firefighter is \$517.00. She also said that the reason she was explaining all of this was because everybody that serves on the Fire Department, serves on a volunteer basis and there is a lack of support from the community. There have not been any members of the Council that has come to any of the Fire Department meetings. She requested that a member of the Council attend their meetings. They also have not had many fundraisers because of the lack of manpower. The same people are having to do all of the work to hold a fundraiser. Alice made the suggestion to add an option on the Water Bill, that the person receiving the bill would add an extra dollar when they paid their Water Bill. It would be up to the person if they wanted to add an extra dollar or more if they so choose. The City would then disburse the money collected to the Fire Department. Mayor Upshaw said he would take this under advisement. He also recommended making the donation of \$1000.00 to the VFD. Councilman Schwing made a motion to let the Volunteer Fire Department use the Community Center for their meetings on the 2nd Tuesday of the month. Councilman Wilson seconded the motion. Motion carried. Councilman Gawlik made a motion to amend the budget to give the Fire Department \$1000.00 over the \$3000.00 already in the budget. Councilman Schwing seconded the motion. All - Ayes, 0 - Noes. Motion carried.

Mayor Upshaw read the letter from Burnet County Appraisal District requesting the Council to vote to temporarily reserve the excess funds until the school funding issue has been resolved by the legislature. Councilman Smyrl made a motion to reflect the request. Councilman Schwing seconded the motion. All - Ayes, 0 - Noes. Motion carried.

Mayor Upshaw recommended tabling discussion of making the Community Center handicap accessible until further information could be obtained. Councilman Smyrl suggested to appoint someone to head a

committee to gather information regarding the requirements for the handicap. Councilman Gawlik made a motion to table this item. Councilman Smyrl seconded the motion. All - Ayes, 0 - Noes. Motion carried.

Mayor Upshaw read the letter from the Farmers Home Administration that included a revision to the letter of conditions, dated December 17, 1991, that would now require the City of Cottonwood Shores to hold an election and let the citizens decide if they want to continue with the construction of the sewer project. The City of Cottonwood has forty five days in which to decide if they want to accept the revision to the letter of conditions. If the Council accepts the revision to call an election, the election has to be held within 120 days. Mayor Upshaw called for a vote. 5 - Ayes, 0 - Noes. The vote reflects that the Council accepted the revision to the letter of conditions.

During open discussion Councilman Wilson made the suggestion to have another meeting with Willis Engineering to continue the previous discussion on January 28, 1993.

Tony Satsky asked if the people will know what the cost of their sewer bill will be.

Mayor Upshaw said we will have some workshop meetings and get some answers. He also said a lot of the things that have been put out have not been right.

Gib Shackelford stated that he would like to see the City construct a sewer system. He purchased the Hill Country Store with the hope that he would be able to tap into the sewer system. His plan in the future was to build a small motel. He would not be able to do this now because he would not be able to get a commercial septic permit. The only way he can build the motel is if he can tap onto the sewer system. He said he felt a sewer system would be a big plus for Cottonwood. ~~A majority of the people attending the meeting seemed to agree with Mr. Shackelford.~~ *JKU*

Councilman Schwing made a motion to adjourn. Councilman Gawlik seconded the motion.

The meeting adjourned at 9:45 p.m..

Respectfully,

*Shirley Pitts*  
\_\_\_\_\_  
Shirley Pitts, City Secretary

*Leon Upshaw*  
\_\_\_\_\_  
Leon R. Upshaw, Mayor



Attendance Record  
City Commission Meeting  
City of Cottonwood Shores

Date: 2-11-93

K.D. McBride

Norman Reed

Olefa Reid

Ayesha P. Bair

Don F. Felt

Bush F. Felt

Carl Shackelord

Moore Thompson

W. Masio

W. Smith

Noah & Mary Thompson

Becky Ramey

John Hill

John & Sandra Kimpton

Robert Stagg

Frank D. Spahr

Paula K. Kline

Barbara McBride

Bill M. M. M.

Rita Hill

Edgar Koch

Relda Sullivan

D. Greese

Mike D. Long

Ron H. McBride

Alice Wilcox

Patti Maupham

Ed Maupham

**CITY OF COTTONWOOD SHORES  
GENERAL PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 1992**

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**GEISTWEIDT, NEFFENDORF, KLEIN, & KNOPP, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
TEXAS SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Honorable Mayor and Commissioners  
City of Cottonwood Shores  
Marble Falls, Texas

We have audited the accompanying general purpose financial statements of the City of Cottonwood Shores as of September 30, 1992 and for the year then ended. These financial statements are the responsibility of the City of Cottonwood's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Cottonwood Shores at September 30, 1992, and the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles.

*Geistweidt, Neffendorf, Klein & Knopp, P.C.*

GEISTWEIDT, NEFFENDORF, KLEIN & KNOPP, P. C.

Fredericksburg, Texas

January 27, 1993

Account Group	Totals	
	(Memorandum Only)	
	September 30,	
General	1992	1991
Fixed Assets		
\$	\$ 5,776	\$ 3,483
	13,178	11,055
	5,577	6,074
	17,080	8,027
	930	986
	11,671	10,598
	2,248	1,700
		9,656
	116,713	108,601
	(6,173)	(1,995)
<u>13,818</u>	<u>13,818</u>	<u>12,983</u>
\$ <u>13,818</u>	\$ <u>180,818</u>	\$ <u>171,168</u>
\$	\$ 5,952	\$ 1,016
		960
	596	600
	1,000	1,000
	5,577	6,074
	11,671	10,598
	98,000	99,000
\$	\$ <u>122,796</u>	\$ <u>119,248</u>
\$ 13,818	\$ 13,818	\$ 12,983
	2,248	1,700
	11,022	14,685
	30,934	22,552
\$ <u>13,818</u>	\$ <u>58,022</u>	\$ <u>51,920</u>
\$ <u>13,818</u>	\$ <u>180,818</u>	\$ <u>171,168</u>

**Other Departments:**

Volunteer Fire Department	\$	3,000
Streets and Drainage		914
Municipal Court		164
Building and Zoning		446
Contingencies		1,089
<b>Total Other Departments</b>	<b>\$</b>	<b>5,613</b>

**Total Expenditures** **\$ 42,112**

**Excess of Revenues over Expenditures** **\$ 8,382**

**Fund Balance - October 1, 1991** **22,552**

**Fund Balance - September 30, 1992** **\$ 30,934**

The accompanying notes are an integral part of this financial statement.

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
<b>Other Departments:</b>			
Volunteer Fire Department	\$ 3,000	\$ 3,000	\$ -
Streets and Drainage	3,500	914	(2,586)
Animal Control	1,790	-	(1,790)
Municipal Court	1,000	164	(836)
Building and Zoning	1,200	446	(754)
Contingencies	1,000	1,089	89
Total Other Departments	<u>\$ 11,490</u>	<u>\$ 5,613</u>	<u>\$ (5,877)</u>
Total Expenditures	<u>\$ 35,959</u>	<u>\$ 42,112</u>	<u>\$ 6,153</u>
Excess of Revenues over Expenditures	\$ 2,511	\$ 8,382	\$ 5,871
Fund Balance - October 1, 1991	<u>22,552</u>	<u>22,552</u>	<u>-</u>
Fund Balance - September 30, 1992	<u><u>\$ 25,063</u></u>	<u><u>\$ 30,934</u></u>	<u><u>\$ 5,871</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF COTTONWOOD SHORES  
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
 RETAINED EARNINGS - WATER AND GARBAGE FUND  
 YEAR ENDED SEPTEMBER 30, 1992

Revenues

Water Sales	\$	89,009
Garbage Collection Fees		44,446
Connection Fees and Other		2,280
Interest on Investments		74
Total Revenues	\$	135,809

Expenses

Water Department:		
Salaries and Labor	\$	32,931
Social Security		2,826
Advertising		236
Accounting and Auditing		1,215
Attorney Fees		571
Telephone and Utilities		7,872
Office Expense		1,280
Insurance		2,987
Travel and Fuel		2,003
Postage		751
Water Purchases		11,671
Chemicals		2,223
Repairs and Maintenance		14,309
Fees and Licenses		1,400
Depreciation		4,177
Bad Debts		1,044
Interest		8,118
Miscellaneous		172
Total Water Department	\$	95,786

Garbage Department:		
Salaries and Labor	\$	5,795
Social Security		710
Advertising		169
Accounting and Auditing		225
Attorney Fees		408
Telephone and Utilities		466
Office Expense		488
Postage		372
Contract Services		31,904
Sales Tax		2,494
Miscellaneous		107
Total Garbage Department	\$	43,138
Total Expenses	\$	138,924

Excess of Revenues over (under) Expenditures	\$	(3,115)
Retained Earnings, October 1, 1991		16,385
Retained Earnings, September 30, 1992	\$	13,270

The accompanying notes are an integral part of this financial statement.

CITY OF COTTONWOOD SHORES  
 COMBINED STATEMENT OF CASH FLOWS-  
 WATER AND GARBAGE FUND  
 YEAR ENDED SEPTEMBER 30, 1992

Cash Flows from Operating Activities

Net Income (Loss) \$ (3,115)

Adjustments to Reconcile Net Income to Net Cash Provided by  
 Operating Activities:

Depreciation	\$	4,177
Increase in Accounts Receivable		(8,238)
Decrease in Restricted Assets		9,108
Increase in Accounts Payable and Accrued Payroll Taxes		3,815
Increase in Due to Other Funds		1,073
Decrease in Accrued Interest Payable		(4)
Total Adjustments	\$	<u>9,931</u>

Net Cash Provided by Operating Activities \$ 6,816

Cash Flows from Investing Activities

Purchase of Fixed Assets \$ (8,112)

Cash Flows from Financing Activities

Principal Payment - Certificate of Obligation \$ (1,000)

Net Decrease in Cash \$ (2,296)

Cash Balance - October 1, 1991 2,296

Cash Balance - September 30, 1992 \$ -0-

The accompanying notes are an integral part of this financial statement.

CITY OF COTTONWOOD SHORES  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 1992

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The City of Cottonwood Shores was incorporated August 8, 1987, as a general "Class C" city. The city operates under a Mayor-Council form of government.

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 level of government which has governance responsibilities over all activities within the jurisdiction of the City of Cottonwood Shores. The city is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since the Mayor and Council are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The City purchased in February, 1991 a water system from an individual who owned the Cotton Terrace Water System, Inc. The mayor and city council served as the board of directors and operated the water system as an enterprise fund of the City. In October 1991 the City dissolved the corporation and all matters relating to the water system are now handled by the City.

- 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 Funds

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

Proprietary Fund

Enterprise Fund - The Water 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 assets. The estimated useful lives are as follows:

Water Plant	25 years
Buildings and Improvements	25 years
Equipment	10 years

Maintenance and repairs are charged to operations as incurred and improvements which extend asset lives are capitalized.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

- F. General Fixed Assets - Purchases of fixed assets are capitalized at cost in the General Fixed Asset account group, offset by a similar invested fund-balance account. There is no provision for depreciation on assets in this account group. General Fixed Assets purchased from the General Funds are recorded as expenditures in the acquiring fund at the time of purchase. Infrastructure assets are not included.
- G. Vacation and Sick Leave  
 Vacation and sick pay expenses are charged to operations when taken by the employees of the City. Accordingly, no accruals are reflected in accounts for unpaid amounts of vacation and sick pay earned by employees. In the event of termination, an employee is reimbursed for all accumulated vacation days. The liabilities for accumulated vacation and sick leave at September 30, 1992 are estimated to be insignificant, and are not reflected in the accompanying financial statements.
- H. Budget - The official budget was prepared for adoption for all funds and formally adopted by the City Council prior to the disbursement of funds.
- I. Excess of Expenditures over Budget Appropriations - Expenditures in the General Fund exceeded budget appropriations by \$6,153. The excess was due to the engineering costs for the proposed wastewater project exceeding the budget by \$14,815.
- J. Cash Flows - For purposes of reporting cash flows, cash equivalents are considered to be temporary cash investments purchased with a maturity of one year or less (does not include restricted assets).
- K. Total Columns on Combined Financial Statements - The "Totals - Memorandum Only" columns of the combined financial statements is a total of all fund types and account groups and does not present consolidated financial information.

**NOTE 2. DEPOSITS AND INVESTMENTS**

Deposits were with local financial institutions in demand and interest bearing accounts which were secured at the balance sheet date by FDIC coverage.

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

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



Based on these three levels of risk, all of the City's cash deposits are classified as category 1.

**NOTE 3. PROPERTY TAXES**

Property taxes are levied by October 1 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 the property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

The City contracted with the Burnet County Appraisal District for the appraisal and collection of taxes. For the 1991 tax roll, the assessed valuation was \$12,681,127 and the tax rate was \$.21 per \$100 valuation. A summary of taxes receivable appears below:

Tax Roll	Taxes Receivable 10/1/91	Assessments & Adjustments	Collections	Taxes Receivable 9/30/92
1991	\$	\$ 26,663	\$ 24,490	\$ 2,173
1990	3,059	(6)	1,272	1,781
1989	1,829	(50)	854	925
1988	1,186		488	698
<b>Totals</b>	\$ 6,074	\$ 26,607	\$ 27,104	\$ 5,577

**NOTE 4. RESTRICTED ASSETS**

Restricted assets represent cash that has been set aside in the Water and Garbage Fund for future payment 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 and Garbage Fund follows:

	Balance 10/1/91	Additions	Deletions	Balance 9/30/92
Land	\$ 10,500	\$ -	\$ -	\$ 10,500
Water Plant	87,782	8,112	-	95,894
Buildings & Improvements	8,805	-	-	8,805
Office Furniture & Equipment	1,514	-	-	1,514
<b>Total Fixed Assets</b>	\$ 108,601	\$ 8,112	\$ -	\$ 116,713
Less: Reserve for Depreciation				6,173
<b>Net Fixed Assets</b>				\$ 110,540

NOTE 6. GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance 10/1/91	Additions	Deletions	Balance 9/30/92
Buildings & Improvements	\$ 11,275	\$ -	\$ -	\$ 11,275
Office Furniture & Equipment	1,708	1,830	995	2,543
Total	<u>\$ 12,983</u>	<u>\$ 1,830</u>	<u>\$ 995</u>	<u>\$ 13,818</u>

NOTE 7. CERTIFICATES OF OBLIGATION

A Summary of changes in revenue bonds payable follows:

	Outstanding 10/1/91	Issued	Retired	Outstanding 9/30/92
Combination Tax & Revenue Certificates of Obligation Series 1990	\$ 100,000	\$ -	\$ 1,000	\$ 99,000

The annual requirements to amortize the certificates of obligation outstanding at September 30, 1992 for the next five years follows:

Year Ended September 30,	Principal	Interest	Total
1993	\$ 1,000	\$ 7,118	\$ 8,118
1994	1,000	7,058	8,058
1995	1,000	6,997	7,997
1996	4,000	6,837	10,837
1997	4,000	6,576	10,576
Thereafter	<u>88,000</u>	<u>50,633</u>	<u>138,633</u>
Totals	<u>\$ 99,000</u>	<u>\$ 85,219</u>	<u>\$ 184,219</u>

The certificates of obligation are payable on March 1 and September 1 (interest only) at interest rates which range from 5.65% to 7.5%. The City has the option to redeem the certificates on or after March 1, 2001 at par. Since the City anticipates that the Water and Garbage Fund will provide the annual debt service on these certificates of obligation, they are considered to be liabilities of the Water and Garbage Fund and have been reported on the balance sheet of the Water Fund. The certificates of obligation are payable from a continuing ad valorem tax levied on all taxable property which may be reduced to the extent and by the amount of gross revenues of the City's Water fund on deposit in the interest and sinking fund in advance of the time when taxes are levied. Although the certificates are reported on the balance sheet of the Water Fund, they are backed by the full faith and credit of the City and are a contingent liability to the general government.

**NOTE 8. CASH FLOWS STATEMENT - SUPPLEMENTAL DISCLOSURE**

Since the City is tax exempt, no income tax has been paid. The City paid interest in the amount of \$7,175 in 1992 on their outstanding debt.

**NOTE 9. 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 additional years.

The City has incurred engineering and bond attorney fees for a proposed wastewater project in excess of \$80,000. If approved, the project would be funded through the Farmers Home Administration and would include the engineering and bond attorney fees already incurred. If the project is not approved, the fees would have to be paid by the City and are in excess of City funds available. The City would have to obtain financing from another source to cover these outstanding debts.

AUDITOR'S REPORT ON  
COMPLIANCE WITH LAWS AND REGULATIONS  
AND INTERNAL ACCOUNTING CONTROL

**GEISTWEIDT, NEFFENDORF, KLEIN, & KNOPP, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

1121 HIGHWAY 16 SOUTH

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MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
TEXAS SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL STRUCTURE IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Mayor and Commissioners  
City of Cottonwood Shores  
Marble Falls, Texas 78654

We have audited the general purpose financial statements of the City of Cottonwood Shores, Texas as of and for the year ended September 30, 1992, and have issued our report thereon dated January 27, 1993.

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.

In planning and performing our audit of the general purpose financial statements of the City of Cottonwood Shores, Texas for the year ended September 30, 1992, we considered its internal control structure 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 structure.

The management of the City of Cottonwood Shores, Texas is responsible for establishing and maintaining a system of internal accounting control. In fulfilling that responsibility, estimates and judgements by administrators are required to assess the expected benefits and related costs of control policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and 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. Because of inherent limitations in any internal control structure, errors or irregularities 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 procedure may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Financial statement captions:

- . Cash and Investments
- . Receivables/Revenues
- . Property, equipment and capital expenditures
- . Payables/Expenditures
- . Payroll and Related Liabilities

For all of the control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal 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. We noted no matters involving the internal control structure and its operation that we considered to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operations that we have reported to the management of the City of Cottonwood Shores, Texas in a separate letter dated January 27, 1993.

This report is intended for the information of management of the City of Cottonwood Shores, Texas and appropriate state and federal agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Geistweidt, Neffendorf, Klein & Knopp, P.C.*  
GEISTWEIDT, NEFFENDORF, KLEIN & KNOPP, P. C.  
Fredericksburg, Texas

January 27, 1993

GEISTWEIDT, NEFFENDORF, KLEIN, & KNOPP, P.C.

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Report on Compliance with Laws and Regulations

Honorable Mayor and  
Commissioners  
City of Cottonwood Shores  
Marble Falls, Texas 78654

We have audited the general purpose financial statements of City of Cottonwood Shores, Texas, as of and for the year ended September 30, 1992, and have issued our report thereon dated January 27, 1993.

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.

Compliance with laws, regulations, contracts, and grants applicable to City of Cottonwood Shores, Texas, is the responsibility of the City's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the City of Cottonwood Shores, Texas, complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those provisions. However, the results of our procedures disclosed an immaterial instance of noncompliance with those requirements, which is described in the accompanying schedule of findings and questioned costs.

This report is intended for the information of management of the City of Cottonwood Shores, Texas and appropriate state and federal agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Geistweidt, Neffendorf, Klein & Knopp, P.C.*  
GEISTWEIDT, NEFFENDORF, KLEIN & KNOPP, P.C.  
Fredericksburg, Texas

January 27, 1993

CITY OF COTTONWOOD SHORES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 1992

Program	Finding/Noncompliance	Questioned Costs
General Fund	Expenditures in the general fund exceeded budget appropriations for various items and in total.	\$ -0-