

**REGULAR MEETING OF THE  
CITY COUNCIL OF THE CITY OF COTTONWOOD SHORES, TEXAS  
4111 COTTONWOOD DRIVE – CIVIC CENTER  
THURSDAY, MAY 17, 2001 AT 7:00 P.M.**

**A G E N D A**

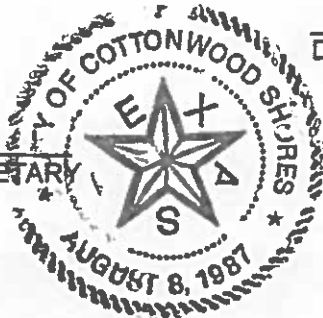
1. CALL TO ORDER AND ROLL CALL.
2. CONSENT AGENDA:
  - A. MINUTES OF A REGULAR MEETING ON APRIL 19, 2001 AND A SPECIAL MEETING ON MAY 9, 2001.
  - B. FINANCIAL STATEMENTS FOR THE MONTH OF APRIL 2001.
3. PRESENTATION BY MR. TREY GREBE AND MR. GEORGE BIRD WITH PEDERNALES ELECTRIC COOPERATIVE.
4. CONSIDER AND POSSIBLY TAKE ACTION ON APPROVING THE ANNUAL FINANCIAL STATEMENT FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2000 AS PRESENTED BY BURL HARPER, C.P.A.
5. CONSIDER AND POSSIBLY TAKE ACTION ON A REQUEST BY MR. MAURICE DOCHERTY TO ALLOW FOR THE RETAIL SALE OF FIREWORKS (FIREWORKS STAND) ON HIS PROPERTY, LOT 5B CASTLE TERRACE SECTION, COTTONWOOD SHORES, TEXAS (MARTY McFLY'S).
6. MONTHLY ACTIVITY REPORTS:
  - A. POLICE DEPARTMENT:
    - (1) ACTIVITY LOG
    - (2) ARREST
  - B. PUBLIC WORKS:
    - (1) WATER & SEWER SYSTEM PERFORMANCE & USAGE
    - (2) ANIMAL CONTROL
  - C. CIVIC PRIDE:
    - (1) UPCOMING MEETING DATES
    - (2) FUTURE PROJECTS
7. MAYOR'S REPORT:
  - A. UPDATE ON WATER SYSTEM IMPROVEMENTS GRANT
  - B. UPDATE OF SEWER PROJECT IN CASTLE TERRACE
  - C. FUTURE GRANT APPLICATION FOR WATER DISTRIBUTION LINES
8. CITIZEN COMMENTS.
9. ADJOURNMENT.

I CERTIFY THAT THE ABOVE NOTICE WAS POSTED AT CITY HALL, 3808 COTTONWOOD DRIVE, COTTONWOOD SHORES, TEXAS ON THIS 14<sup>TH</sup> DAY OF MAY, 2001 AT 9:30 AM.

ATTEST:



TENA COLLIER, CITY SECRETARY

  
\_\_\_\_\_  
DALE PICKENS, MAYOR

**MINUTES OF A REGULAR MEETING OF THE  
CITY COUNCIL OF THE CITY OF COTTONWOOD SHORES, TEXAS  
4111 COTTONWOOD DRIVE – CIVIC CENTER  
THURSDAY, MAY 17, 2001 AT 7:00 P.M.**

1. **CALL TO ORDER AND ROLL CALL:** Mayor Pickens called this Regular Meeting to Order at 7:00 p.m. with both Commissioner Phipps and Commissioner Pfeifer in attendance, a Quorum was present.
2. **CONSENT AGENDA:**
  - A. **MINUTES OF A REGULAR MEETING ON APRIL 19, 2001 AND A SPECIAL MEETING ON MAY 9, 2001:** Commissioner Pfeifer stated he had read the minutes and found no corrections needed. Commissioner Phipps stated she found nothing wrong. Commissioner Pfeifer then made a motion to approve the minutes of both meetings on Consent Agenda Item A. Commissioner Phipps seconded his motion, which carried.
  - B. **FINANCIAL STATEMENTS FOR THE MONTH OF APRIL 2001:** Both Commissioners reviewed the Financial Statements for April and found them to be in order. Then Commissioner Phipps made a motion to accept the Financial Statement for April 2001. Commissioner Pfeifer seconded her motion, which carried.
3. **PRESENTATION BY MR. TREY GREBE AND MR. GEORGE BIRD WITH PEDERNALES ELECTRIC COOPERATIVE:** Mayor Pickens introduced Mr. George Bird. Mr. Bird stated Mr. Grebe was unable to attend tonight's meeting. He then invited everyone to PEC's Annual Meeting on June 16<sup>th</sup> in Johnson City. He stated it would start around 12:00 p.m. with the election of directors. He noted they would be going over plans for deregulation. He encouraged everyone to attend and let PEC know what they would like to see done better. He noted there would be good door prizes. Ms. Linda Clark asked how many people have the new automatic reading meters. Mr. Bird stated he didn't know the exact figure with 40,000+ meters in service, but he knew PEC planned to switch everyone over eventually. He added the response had been good and the crews were busy with all the growth.
4. **CONSIDER AND POSSIBLY TAKE ACTION ON APPROVING THE ANNUAL FINANCIAL STATEMENT FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2000 AS PRESENTED BY BURL HARPER, C.P.A.:** Mayor Pickens introduced Mr. Burl Harper. Mr. Harper stated his office had not prepared the audit. He explained it was actually done by Mr. Burl Lowrey out of Brownwood, he was just presenting it tonight to keep costs down and save the trip charge from Brownwood. He stated there were no major problems with the audit. He stated overall the expenditures were down in the General Fund. He noted the Utility Fund ended with a breakeven with regard to Revenue and Expenditures because of a cash flow increase. He noted Mr. Lowrey had commented the City should go through and balance both the General Fund and Utility Fund. Then set up a transfer from the Utility Fund to the General Fund to offset the deficit in the General Fund. Commissioner Pfeifer made a motion to approve the Annual Financial Statement for the Fiscal Year ending September 30, 2000. Commissioner Phipps seconded his motion, which carried.
5. **CONSIDER AND POSSIBLY TAKE ACTION ON A REQUEST BY MR. MAURICE DOCHERTY TO ALLOW FOR THE RETAIL SALE OF FIREWORKS (FIREWORKS STAND) ON HIS PROPERTY, LOT 5B CASTLE TERRACE SECTION I, COTTONWOOD SHORES, TEXAS (MARTY McFLY'S):** Mayor Pickens introduced Mr. Maurice Docherty. Mr. Docherty asked if there was a law against lighting fireworks in the City. Mayor Pickens replied yes. Mr. Docherty explained he had signed an agreement to allow a fireworks stand on his property before he realized that now that he was in the City fireworks were not allowed. He asked if he would be grandfathered since he was just annexed. He explained he had made an agreement with two kids that worked for him that they could have the money made from the sales to apply towards college. He added it was not a big deal. He just hated to disappoint the kids that worked for him; they could really use the money. Ms. Linda Clark asked if the City had an ordinance against the sale of fireworks. Mayor Pickens replied no, not prohibiting the sale of fireworks. Commissioner Pfeifer stated he would like to have the sales tax revenue on a fireworks stand. Mr. Docherty stated they would charge the City sales tax as well as make a donation of a couple of hundred dollars if needed. Mayor Pickens recommended checking with the City Attorney to make sure we could authorize the sale of fireworks. He noted they would have to get a sign permit and a sales tax permit to collect 7¼%. He added they would have to keep the area clean and no loud music late at night. Mr. Docherty asked if there were no complaints would the Council consider letting them do it again. He added he would put up signs letting people know that fireworks were not allowed within the City Limits. Mayor Pickens stated Mr. Docherty could approach the Council year by year, but there was no long-term commitment.

Commissioner Pfeifer stated he had no objection to the sale of fireworks. Commissioner Phipps stated she was not opposed. She then made a motion to approve Item No. 5 to allow the sale of fireworks. Commissioner Pfeifer seconded her motion, which carried.

**6. MONTHLY ACTIVITY REPORTS:**

**A. POLICE DEPARTMENT:**

(1) **ACTIVITY LOG:** Sergeant Hallman read the Monthly report for the Police Department. He noted that next Thursday they would all be at the range in Burnet qualifying.

**B. PUBLIC WORKS:**

(1) **WATER & SEWER SYSTEM PERFORMANCE & USAGE:** Mayor Pickens stated there was no one present from the Utility Department because Robert had to repair the intake valve and was all wet and tired so he had gone home. He noted with the rain fall usage had not been excessive and Robert had managed to get a couple of broken lines repaired.

(2) **ANIMAL CONTROL:** Mayor Pickens stated there was no one present from Animal Control because Connie was attending classes this week. He noted loose animals were still a problem and that he had seen Sergeant Hallman had one in his patrol car the other day.

**C. CIVIC PRIDE:**

(1) **UPCOMING MEETING DATES:** Mr. Euclid Phipps stated Civic Pride held an annual meeting to elected new officers. He noted that they were the same members as in the past. He hoped to get new members in the future to keep Civic Pride active.

(2) **FUTURE PROJECTS:** Mr. Phipps stated Civic Pride's next project was to get street signs installed within the City.

**7. MAYOR'S REPORT:**

**A. UPDATE ON WATER SYSTEM IMPROVEMENTS GRANT:** Mayor Pickens stated there was still some clean up work to be done and some concern about the installation of the new pumps, but the new tank was on line and working. Mr. Docherty asked how long was the supply of water in the new tank. Mayor Pickens replied about two days, not just 20 minutes. Mr. Docherty stated great, then asked when are they going to start building houses. Mayor Pickens stated as soon as some lots sale and builders get contracts.

**B. UPDATE OF SEWER PROJECT IN CASTLE TERRACE:** Mayor Pickens stated this project was in the ground, just needed homes built to tie into the system.

**C. FUTURE GRANT APPLICATION FOR WATER DISTRIBUTION LINES:** Mayor Pickens stated we were still working on this application. He noted this would be an expensive project so trying to get the best deal for City that we can.

**8. CITIZEN COMMENTS:** Mr. Phipps thanked Mr. Docherty for donating the curbs so Civic Pride didn't have to purchase any. Mr. Docherty stated he had more if we needed them, just come by and get them. Ms. Clark asked why we pick and choose which ordinances we enforced. She stated there was an ordinance, which required properties that have buildings on them to be cleared to keep the grass below 12". Mayor Pickens was not familiar with the ordinance in question and asked Ms. Clark to stop by City Hall to discuss the situation with her neighbor's yard. Ms. Clark asked what the City planned to do about Lakeview Drive. She stated back in December Mr. Phipps brought up the idea of putting a caution light by the holes on Lakeview Drive. She wondered why that had not been done yet. Mayor Pickens stated he was working on getting Bay Maintenance out to fix the holes, it just takes time. He suggested Ms. Clark fill out a form to put this item on the agenda for the next meeting is she wanted to discuss it any further.

**9. ADJOURNMENT:** Mayor Pickens adjourned this Regular Meeting at 7:51 p.m.

ATTEST:



TENA COLLIER, CITY SECRETARY



  
DALE PICKENS, MAYOR

# COTTONWOOD SHORES POLICE DEPARTMENT

3915 COTTONWOOD DRIVE  
COTTONWOOD SHORES , TEXAS 78654

MONTHLY REPORT FOR APRIL 2001

SUSPICIOUS PERSON/VEHICLES:	<u>    </u>
ABANDONED VEHICLE	<u>    </u>
ACCIDENTS	<u>  1  </u>
ASSAULTS/FAMILY VIOLENE	<u>  1  </u>
BURGLARIES	<u>  1  </u>
CRIMINAL MISCHIEF	<u>    </u>
DISTURBANCES	<u>  1  </u>
THEFT	<u>  2  </u>
MISSING PERSONS	<u>  1  </u>
OTHER AGENCY ASSISTS / EMS/FIRE	<u>  1  </u>
HARASSMENT	<u>  1  </u>
TRESPASS	<u>    </u>
WELFARE CONCERN	<u>    </u>
DEATHS	<u>  1  </u>
MISCELLANEOUS CALLS	<u> 10  </u>
TOTAL CALLS	<u> 20  </u>
MUNICIPAL COURT CASES	<u> 18  </u>
ARRESTS	<u>  1  </u>
JUVENILE ARRESTS	<u>  0  </u>
HOURS WORKED	<u> 402 </u>
RES. HRS. WORKED	<u>  10  </u>
TOTAL HRS	<u> 430 </u>
TOTAL MILES DRIVEN	<u> 2772 </u>

**BURL D. LOWERY**  
**CERTIFIED PUBLIC ACCOUNTANT**

Member A.I.C.P.A. & T.S.C.P.A.

Post Office Box 626

311 Center

Brownwood, Texas 76804

Telephone 915-646-8838

Fax 915-643-2157

BURL D. LOWERY, C.P.A.  
JOYCE CORNELIUS, C.P.A.

Honorable Mayor and City Council  
City of Cottonwood Shores  
Cottonwood Shores, Texas:

In planning and performing my audit of the general purpose financial statements of the City of Cottonwood Shores for the year ended September 30, 2000, I considered its internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control. However, I noted certain matters involving internal control and its operation that I feel warrant improvement. I do not consider these matters to be reportable conditions under standards established by the American Institute of Certified Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation on the internal control that, in my judgment, could adversely affect City of Cottonwood Shores's ability to record, process, summarize, and report financial data consistent with assertions of management in the general purpose financial statements.

The following are matters referenced above which are not reportable conditions or material weaknesses:

The City has a deficit fund balance of \$187,954 in the General Fund and \$1,905 in the Debt Service Fund. The Debt Service Fund has an interfund payable of \$1,905 to the General Fund, and the General Fund has an interfund payable of \$219,928 to the Utility Fund. The Utility Fund has subsidized the General Fund operations for several years; which has created this cumulative interfund payable. The City should appropriate annually an operating transfer from the Utility Fund to the General Fund to balance the General Fund budget and recognize this as an operating transfer out in the Utility Fund and as an operating transfer in in the General Fund as it appears that the City will be unable to repay the transfers. Also, the City Council should consider authorizing the City's accountant to write off all or a part of the existing balance of the interfund payable.

A material weakness is a reportable 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 errors or fraud 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.

My consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the matters described above is believed to be a material weakness.

This report is intended solely for the information and use of the City of Cottonwood Shores, management, and applicable state and federal agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Burl D. Lowery  
Certified Public Accountant

April 23, 2001

**CITY OF  
COTTONWOOD SHORES**

**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR SEPTEMBER 30, 2000**

**FINANCIAL SECTION**



# **CITY OF COTTONWOOD SHORES**

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## **General Purpose Financial Statements**

**Fiscal Year Ended September 30, 2000**

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BURL D. LOWERY, C.P.A.  
JOYCE CORNELIUS, C.P.A.

**BURL D. LOWERY**  
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**Independent Auditors' Report**

Honorable Mayor and City Council  
City of Cottonwood Shores, Texas

We have audited the accompanying general-purpose financial statements of the City of Cottonwood Shores, Texas, as of and for the year ended September 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Cottonwood Shores, Texas, as of September 30, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2001, on our consideration of the City of Cottonwood Shores' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Respectfully submitted,



Burl D. Lowery  
Certified Public Accountant  
April 23, 2001

THE UNIVERSITY OF CHICAGO  
LIBRARY

1950

1. The first part of the paper is devoted to a discussion of the general theory of the subject. It is shown that the theory can be formulated in a way which is independent of the particular model chosen. The theory is then applied to the case of a simple model, and the results are compared with those obtained from a more complicated model. It is found that the theory is in good agreement with the results of the more complicated model.

2. In the second part of the paper, the theory is applied to the case of a more complicated model. It is shown that the theory is in good agreement with the results of the more complicated model. The theory is then applied to the case of a still more complicated model, and the results are compared with those obtained from a still more complicated model. It is found that the theory is in good agreement with the results of the still more complicated model.

3. In the third part of the paper, the theory is applied to the case of a still more complicated model. It is shown that the theory is in good agreement with the results of the still more complicated model. The theory is then applied to the case of a still more complicated model, and the results are compared with those obtained from a still more complicated model. It is found that the theory is in good agreement with the results of the still more complicated model.

Proprietary Fund Type	Account Group		Totals (Memorandum Only)
	General Fixed Assets	General Long Term Debt	September 30, 2000
Utility Fund			
\$ 3,716	\$ -	\$ -	\$ 16,915
-	-	-	24,497
-	-	-	12,584
27,733	-	-	27,733
219,928	-	-	221,833
-	-	-	-
85,323	-	-	85,323
550	-	-	550
2,267,012	-	-	2,267,012
(338,732)	-	-	(338,732)
-	363,335	-	363,335
-	-	114,544	114,544
<u>\$ 2,265,530</u>	<u>\$ 363,335</u>	<u>\$ 114,544</u>	<u>\$ 2,795,594</u>
\$ 2,291	\$ -	\$ -	\$ 9,918
11,225	-	-	11,225
11,000	-	-	11,000
20,657	-	-	20,657
-	-	-	12,584
-	-	-	221,833
565,000	-	-	565,000
-	-	106,106	106,106
-	-	8,438	8,438
<u>\$ 610,173</u>	<u>\$ -</u>	<u>\$ 114,544</u>	<u>\$ 966,761</u>
1,583,292	-	-	1,583,292
-	363,335	-	363,335
52,350	-	-	50,445
19,715	-	-	19,715
-	-	-	(187,954)
<u>1,655,357</u>	<u>363,335</u>	<u>-</u>	<u>1,828,833</u>
<u>\$ 2,265,530</u>	<u>\$ 363,335</u>	<u>\$ 114,544</u>	<u>\$ 2,795,594</u>

**CITY OF COTTONWOOD SHORES**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED SEPTEMBER 30, 2000**

	<u>Governmental Fund Types</u>		<u>Totals</u> <u>(Memorandum Only)</u> <u>September 30, 2000</u>
	<u>General</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	
<b>Revenues</b>			
Ad Valorem Taxes	\$ 44,850	\$ 20,466	\$ 65,316
Penalty, Interest and Fees	3,689	1,029	4,718
Franchise Tax	8,953	-	8,953
Sales Taxes	15,334	-	15,334
Animal Control	1,041	-	1,041
Mowing Fees	1,500	-	1,500
Police Donations and Fees	858	-	858
Permits and Inspection Fees	5,950	-	5,950
Interest on Investments	2,389	-	2,389
Court Cost	764	-	764
Fines and Forfeitures	11,298	-	11,298
Civic Center and Pool	2,318	-	2,318
Miscellaneous	783	-	783
COPS Grant Funds	32,371	-	32,371
<b>Total Revenue</b>	<b>132,098</b>	<b>21,495</b>	<b>153,593</b>
<b>Expenditures</b>			
City Administration Department:			
Salaries and Benefits	4,318	-	4,318
Payroll Tax	388	-	388
Advertising	196	-	196
Accounting and Auditing	6,655	-	6,655
Attorney Fees	5,958	-	5,958
Telephone and Utilities	8,959	-	8,959
Office Expense	3,017	-	3,017
Dues	-	-	-
Travel and Education	-	-	-
Insurance and Bonds	7,027	-	7,027
Election Cost	-	-	-
Repairs and Maintenance	1,828	-	1,828
Appraisal District Fees	1,176	-	1,176
Capital Outlay	-	-	-
Debt Service Payments	12,965	21,353	34,318
<b>Total City Administration</b>	<b>52,487</b>	<b>21,353</b>	<b>73,840</b>

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 - ALL GOVERNMENTAL FUND TYPES**  
**YEAR ENDED SEPTEMBER 30, 2000**

	<u>Governmental Fund Types</u>		<u>Totals</u> <u>(Memorandum Only)</u> <u>September 30, 2000</u>
	<u>General</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	
<b>CONTINUED</b>			
Public Service Department:			
Salaries and Contract Labor	83,011	-	83,011
Payroll Taxes	7,036	-	7,036
Telephone and Utilities	571	-	571
Travel and Education	282	-	282
Street Repair	11,575	-	11,575
Repairs and Maintenance	2,829	-	2,829
Dispatch Fee	3,014	-	3,014
Police Equipment and Supplies	1,766	-	1,766
Capital Outlay	211,780	-	211,780
Fuel and Oil	5,007	-	5,007
Vehicle Expense	2,685	-	2,685
Total Public Service	<u>329,556</u>	<u>-</u>	<u>329,556</u>
Other Departments:			
Volunteer Fire Department	-	-	-
Civic Center and Pool	2,711	-	2,711
Municipal Court	7,097	-	7,097
Building and Zoning	-	-	-
Animal Control	167	-	167
Total Other Departments	<u>9,975</u>	<u>-</u>	<u>9,975</u>
Total Expenditures	<u>392,018</u>	<u>21,353</u>	<u>413,371</u>
(Deficit) of Revenues over Expenditures	(259,920)	142	(259,778)
Other Financing Sources:			
TCOP Grant Revenue	200,280	-	200,280
Loan Proceeds	11,500	-	11,500
Operating Transfer In	50,000	-	50,000
Total Other Services	<u>261,780</u>	<u>-</u>	<u>261,780</u>
Excess of Revenues and Other Sources over Expenditures	1,860	142	2,002
Fund Balance - At Beginning of Year	<u>(189,814)</u>	<u>(2,047)</u>	<u>(191,861)</u>
Fund Balance - At End of Year	<u><b>\$ (187,954)</b></u>	<u><b>\$ (1,905)</b></u>	<u><b>\$ (189,859)</b></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**  
**ALL GOVERNMENTAL FUND TYPES**  
**YEAR ENDED SEPTEMBER 30, 2000**

	<b>GOVERNMENTAL FUND TYPES</b>		
	<b>GENERAL FUND</b>		
	2000		Variance
	Budget	Actual	Favorable (Unfavorable)
<b>Revenues</b>			
Ad Valorem Taxes	\$ 43,000	\$ 44,850	\$ 1,850
Penalty, Interest, and Fees	3,500	3,689	189
Franchise Tax	10,000	8,953	(1,047)
Sales Taxes	14,000	15,334	1,334
Animal control	800	1,041	241
Mowing Fees	5,000	1,500	(3,500)
Police Donations and Fees	500	858	358
Permits and Inspection Fees	7,200	5,950	(1,250)
Interest on Investments	2,500	2,389	(111)
Court Costs	-	764	764
Fines and Forfeitures	16,000	11,298	(4,702)
Civic Center and Pool	2,200	2,318	118
Miscellaneous	700	783	83
COPS Grant Funds	36,845	32,371	(4,474)
<b>Total Revenues</b>	<b>142,245</b>	<b>132,098</b>	<b>(10,147)</b>
<b>Expenditures</b>			
City Administrative Department:			
Salaries and Benefits	7,742	4,318	3,424
Payroll Taxes	562	388	174
Advertising	1,000	196	804
Accounting and Auditing	5,900	6,655	(755)
Attorney Fees	4,000	5,958	(1,958)
Telephone and Utilities	8,800	8,959	(159)
Office Expense	5,050	3,017	2,033
Dues	-	-	-
Travel and Education	1,000	-	1,000
Insurance and Bonds	11,350	7,027	4,323
Election Costs	-	-	-
Repair and Maintenance	7,556	1,828	5,728
Appraisal District Fees	1,914	1,176	738
Capital Outlay	-	-	-
Debt Service Payments	9,600	12,965	(3,365)
Miscellaneous	-	-	-
<b>Total City Administration</b>	<b>64,474</b>	<b>52,487</b>	<b>11,987</b>

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**  
**ALL GOVERNMENTAL FUND TYPES**  
**YEAR ENDED SEPTEMBER 30, 2000**

	<b>GOVERNMENTAL FUND TYPES</b>		
	<b>GENERAL FUND</b>		
	<b>2000</b>		<b>Variance</b>
	<b>Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable)</b>
<b>Public Service Department:</b>			
Salaries and Benefits	\$ 81,189	\$ 83,011	\$ (1,842)
Payroll Tax	7,014	7,036	(22)
Telephone and Utilities	700	571	129
Travel	1,400	282	1,118
Street Repair	15,000	11,575	3,425
Repairs and Maintenance	4,500	2,829	1,671
Dispatch Fee	3,100	3,014	86
Police Equipment and Supplies	1,000	1,766	(766)
Fuel and Oil	3,700	5,007	(1,307)
Vehicle Expense	2,000	2,685	(685)
Capital Outlay	7,000	211,780	(204,780)
<b>Total Public Service</b>	<b>126,583</b>	<b>329,556</b>	<b>(202,973)</b>
<b>Other Departments</b>			
Volunteer Fire Department	-	-	-
Civic Center and Pool	3,400	2,711	689
Municipal Court	11,794	7,097	4,697
Building and Zoning	-	-	-
Animal Control	400	167	233
<b>Total Other Departments</b>	<b>15,594</b>	<b>9,975</b>	<b>5,619</b>
<b>Total Expenditures</b>	<b>206,651</b>	<b>392,018</b>	<b>(185,367)</b>
<b>Excess of Expenitures over Revenues</b>	<b>(64,406)</b>	<b>(259,920)</b>	<b>(195,514)</b>
<b>Other Financing Sources:</b>			
TCDP Grant Revenue	-	200,280	200,280
Loan Proceeds	11,500	11,500	-
Operating Transfer In	-	50,000	50,000
<b>Total Other Sources</b>	<b>11,500</b>	<b>261,780</b>	<b>250,280</b>
<b>Excess Revenues and Other Sources Over (under) Expenditures</b>	<b>(52,906)</b>	<b>1,860</b>	<b>54,766</b>
<b>Fund Balance At Beginning of Year</b>	<b>(189,814)</b>	<b>(189,814)</b>	<b>-</b>
<b>Fund Balance At End of Year</b>	<b>\$ (242,720)</b>	<b>\$ (187,954)</b>	<b>\$ 54,766</b>

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**  
**ALL GOVERNMENTAL FUND TYPES**  
**YEAR ENDED SEPTEMBER 30, 2000**

**GOVERNMENTAL FUND TYPES**

**DEBT SERVICE FUND**

	2000		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>CONTINUED</b>			
<b>Revenues:</b>			
Ad Valorem Taxes	\$ 21,353	\$ 21,495	\$ 142
Total Revenue	21,353	21,495	142
<b>Expenditures:</b>			
Debt Service Payments	21,353	21,353	-
Total Expenditures	21,353	21,353	-
Excess of Expenditures over Revenues	\$ -	\$ 142	\$ 142

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, 2000**

	<u>Proprietary Fund Type Utility</u>	<u>Total (Memorandum Only) September 30, 2000</u>
<b>Revenues</b>		
Water Sales	\$ 149,306	\$ 149,306
Sewer Sales	85,945	85,945
Garbage Collection Fees	54,450	54,450
Connection Fees and Other	23,086	23,086
Interest on Investments	2,582	2,582
TDCP Grant Revenue	18,460	18,460
	<u>333,829</u>	<u>333,829</u>
<b>Total Revenues</b>		
<b>Expenses</b>		
<b>Water Department:</b>		
Accounting and Legal	5,351	5,351
Salaries and Benefits	74,142	74,142
Payroll Taxes	5,395	5,395
Water Taps	1,195	1,195
Telephone and Utilities	10,273	10,273
Travel and Fuel	5,905	5,905
Water Purchases	14,019	14,019
Chemicals and Testing	7,497	7,497
Repairs and Maintenance	8,708	8,708
Fees and Licenses	856	856
Contract Labor	96	96
Depreciation	19,183	19,183
Interest	582	582
Insurance and Bonds	7,146	7,146
Office Supplies and Expenses	5,689	5,689
	<u>166,037</u>	<u>166,037</u>
<b>Total Water Department</b>		
<b>Sewer Department:</b>		
Accounting and Audit	3,960	3,960
Sewer Treatment	11,798	11,798
Telephone and Utilities	4,501	4,501
Supplies and Repairs	3,525	3,525
Sewer Taps	920	920
Interest	9,863	9,863
Depreciation	45,657	45,657
Office Supplies and Expenses	277	277
	<u>80,501</u>	<u>80,501</u>
<b>Total Sewer</b>		

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, 2000**

	<u>Proprietary Fund Type Utility</u>	<u>Total (Memorandum Only) September 30, 2000</u>
<b>CONTINUED</b>		
<b>Garbage Department:</b>		
Contract Services	46,198	46,198
<b>Total Garbage Department</b>	<u>46,198</u>	<u>46,198</u>
<b>Other Uses</b>		
Operating Transfer Out	50,000	50,000
<b>Total Expenses</b>	<u>342,736</u>	<u>342,736</u>
<b>Excess of Revenues over (under) Expenditures</b>	(8,907)	(8,907)
<b>Retained Earnings, At Beginning of Year</b>	<u>80,972</u>	<u>80,972</u>
<b>Retained Earnings, At End of Year</b>	<u>\$ 72,065</u>	<u>\$ 72,065</u>

The accompanying notes are an integral part of these financial statements

**CITY OF COTTONWOOD SHORES**  
**COMBINED STATEMENT OF CASH FLOWS -**  
**ALL PROPRIETARY FUND TYPES**  
**YEAR ENDED SEPTEMBER 30, 2000**

Proprietary  
Fund Types  
Utility  
September 30, 2000

Cash Flows from Operations Activities

Net Income (Loss)	\$	(8,907)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation		64,840
Increase in Accounts Receivable		(1,455)
Increase in Restricted Assets		(2,724)
Increase in Due from Other Funds		(2,158)
Decrease in Accounts Payable		(5,083)
Decrease in Accrued Interest Payable		(158)
Increase in Customer Deposits		1,317
		<u>54,579</u>
 Total Adjustments		 <u>54,579</u>
 Net Cash Provided by Operating Activities		 <u>45,672</u>
 Cash Flows from Capital and Other Financing Activities		
Principle and Bonds		(11,000)
Acquisition of Assets		(32,236)
		<u>(43,236)</u>
Net Cash Used in Financing Activities		<u>(43,236)</u>
 Net Increase (Decrease) in Cash Balances		 2,436
 Unrestricted Cash - Beginning of Year		 <u>1,280</u>
 Unrestricted Cash - End of Year	\$	 <u><u>3,716</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 - PROPRIETARY FUND TYPES  
YEAR ENDED SEPTEMBER 30, 2000**

	<u>Proprietary Fund Types</u>		Variance Favorable (Unfavorable)
	<u>Utility</u>		
	2000		
	<u>Budget</u>	<u>Actual</u>	
<b>Revenues</b>			
Water Sales	\$ 174,900	\$ 149,306	\$ (25,594)
Sewer Sales	126,000	85,945	(40,055)
Garbage Collection Fees	58,500	54,450	(4,050)
Connection Fees and Other	12,500	23,086	10,586
Interest on Investments	1,800	2,582	782
TDCP Grant Revenue	-	18,460	18,460
<b>Total Revenues</b>	<u>373,700</u>	<u>333,829</u>	<u>(39,871)</u>
<b>Expenses</b>			
<b>Water Department:</b>			
Salaries and Benefits	78,596	74,142	4,454
Payroll Tax	5,935	5,395	540
Accounting and Legal	5,300	5,351	(51)
Water Taps	2,500	1,195	1,305
Telephone and Utilities	8,000	10,273	(2,273)
Travel and Fuel	4,900	5,905	(1,005)
Water Purchases	15,000	14,019	981
Chemicals and Testing	7,800	7,497	303
Repair and Maintenance	18,300	8,708	9,592
Fees and Licenses	900	856	44
Contract Labor	-	96	(96)
Depreciation	18,000	19,183	(1,183)
Interest	5,018	582	4,436
Insurance and Bonds	-	7,146	(7,146)
Office Supplies and Expenses	4,900	5,689	(789)
Capital Improvements	2,500	-	2,500
<b>Total Water Department</b>	<u>177,649</u>	<u>166,037</u>	<u>11,612</u>
<b>Sewer Department:</b>			
Accounting and Audit	5,225	3,960	1,265
Sewer Treatment	10,100	11,798	(1,698)
Telephone and Utilities	3,000	4,501	(1,501)
Supplies and Repairs	2,700	3,525	(825)
Sewer Taps	1,500	920	580
Interest	15,620	9,863	5,757
Depreciation	46,000	45,657	343
Office Supplies and Expenses	-	277	(277)
<b>Total Sewer</b>	<u>84,145</u>	<u>80,501</u>	<u>3,644</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 - PROPRIETARY FUND TYPES  
YEAR ENDED SEPTEMBER 30, 2000**

	<u>Proprietary Fund Type</u>		<b>Variance Favorable (Unfavorable)</b>
	<u>Utility</u>		
	<b>2000</b>		
	<u>Budget</u>	<u>Actual</u>	
<b>CONTINUED</b>			
<b>Garbage Department:</b>			
Contract Services	<u>47,500</u>	<u>46,198</u>	<u>1,302</u>
<b>Total Garbage Department</b>	<u>47,500</u>	<u>46,198</u>	<u>1,302</u>
<b>Other Uses</b>			
Operating Transfer Out	<u>-</u>	<u>50,000</u>	<u>(50,000)</u>
<b>Total Other Uses</b>	<u>-</u>	<u>50,000</u>	<u>(50,000)</u>
<b>Total Expenses</b>	<u>309,294</u>	<u>342,736</u>	<u>(33,442)</u>
<b>Excess of Revenues over (under) Expenditures</b>	<b>64,406</b>	<b>(8,907)</b>	<b>(73,313)</b>
<b>Retained Earnings, At the Beginning of Year</b>	<u>80,972</u>	<u>80,972</u>	<u>-</u>
<b>Retained Earnings, At the End of Year</b>	<u>\$ 145,378</u>	<u>\$ 72,065</u>	<u>\$ (73,313)</u>

The accompanying notes are an integral part of these financial statements

# **CITY OF COTTONWOOD SHORES**

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## **Notes to the Financial Statements**

**For the Year Ended September 30, 2000**

### **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 are 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

#### Debt Service Fund

Debt Service Fund - This fund is established to make debt service payments.

#### Proprietary Fund

Enterprise Fund - The Utility Fund (Water, Sewer and Garbage) 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.

General Long Term Debt - Governmental long-term obligations 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.

# **CITY OF COTTONWOOD SHORES**

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## **Notes to the Financial Statements**

**For the Year Ended September 30, 2000**

### **NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Proprietary Fund Type (Utility) revenues and expenditures are recorded on the full accrual basis.

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

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

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, 2000, 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 disbursement of funds.

I. Inventory of Supplies – cost of all supplies and materials is recorded as expenditures/expenses at the time of purchase. Quantity on hand is insignificant.

J. Cash Flows – For purposes of reporting cash flows, cash equivalents are considered to be temporary cash investments purchased with a maturity of three months or less (does not include restricted assets).



# **CITY OF COTTONWOOD SHORES**

## **Notes to the Financial Statements**

**For the Year Ended September 30, 2000**

### **NOTE 1. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

K. Inter-fund Charges – The City allocates a percentage of general administrative expenditures to the various accounts group, governmental fund and proprietary fund.

### **NOTE 2. DEPOSITS AND INVESTMENTS**

The City maintains a cash pool that is available for use by all funds. All cash funds were held by local financial institutions in demand and interest bearing accounts which were secured at the balance sheet date by FDIC coverage.

The collateral for the City's deposits is categorized to give an indication of the level of risk assumed by the City at the year end. Category 1 includes deposits that are insured or for which the securities are held by the City or its agent in the City's name.

All of the deposits are classified as category 1. Cash balances on September 30, 2000, at the bank are \$135,119 while the carrying value is \$126,434.

### **NOTE 3. PROPERTY TAXES**

Property taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 of the following year.

The City contracts with the Burnet County Appraisal District for the appraisal and collection of taxes. For the tax roll for 1999 the assessed valuation was \$17,059,987 and a tax rate of \$.3772 per \$100 valuation.

### **NOTE 4. RESTRICTED ASSETS**

Restricted assets represent cash that has been set aside in the Utility Fund for future payments of certificates of obligation, customer deposits and for the purchase and improvements to the water and wastewater system, as follows:

Restricted for Customer Deposits	\$ 24,247
Restricted for Debt Service	52,351
Restricted for Capital Improvements	<u>8,725</u>
Total Restricted Assets	<u>\$ 85,323</u>

## CITY OF COTTONWOOD SHORES

### Notes to the Financial Statements

For the Year Ended September 30, 2000

#### NOTE 5. PROPERTY, PLANT AND EQUIPMENT

A summary of fixed assets in the Utility Fund as follows:

	<u>Balance</u> <u>10/1/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/00</u>
Land	\$ 18,984	\$ -	\$ -	\$ 18,984
Water Plant	352,498	-	-	352,498
Building & Improvements	8,805	-	-	8,805
Office Furniture & Equipment	62,328	-	-	62,328
Wastewater Collection System	1,535,337	-	-	1,535,337
Water Distribution System	254,924	-	-	254,924
Vehicles	1,900	-	-	1,900
Construction in Progress	-	32,236	-	32,236
Total Fixed Assets	<u>\$2,234,776</u>	<u>\$ 32,236</u>	<u>\$ -</u>	<u>\$2,267,012</u>
Less: Accumulated Depreciation				<u>(338,732)</u>
Net Fixed Assets				<u>\$1,928,280</u>

#### NOTE 6. GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>10/1/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/00</u>
Building and Improvements	\$ 123,055	\$ -	\$ -	\$ 123,055
Office Furniture & Equipment	17,582	13,364	-	30,946
Streets	2,030	207,304	-	209,334
Total	<u>\$ 142,667</u>	<u>\$ 220,668</u>	<u>\$ -</u>	<u>\$ 363,335</u>

#### NOTE 7. CERTIFICATES OF OBLIGATION

A summary of changes in revenue bonds payable follows:

	<u>Outstanding</u> <u>10/1/99</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding</u> <u>9/30/00</u>
Combination Tax & Revenue Certificates of Obligation Series #1990	\$ 80,000	\$ -0-	\$ 5,000	\$ 75,000
Combination Tax & Revenue Certificates of Obligation Series #1993	507,000	-0-	6,000	501,000
	<u>\$ 587,000</u>	<u>\$ -0-</u>	<u>\$ 11,000</u>	<u>\$ 576,000</u>

# **CITY OF COTTONWOOD SHORES**

## **Notes to the Financial Statements**

**For the Year Ended September 30, 2000**

### **NOTE 7. CERTIFICATES OF OBLIGATION** (Continued)

The annual requirements to amortize the certificates of obligation outstanding at September 30, 2000, including interest payments of \$148,386 for the next five years follows:

<b>Year Ended September 30,</b>	<b>Series #1990</b>	<b>FmHA Series #1993</b>	<b>Total</b>
2001	10,370	31,676	42,046
2002	10,013	31,369	41,382
2003	9,650	32,061	41,711
2004	9,283	31,703	40,986
2005	9,392	31,344	40,736
Thereafter	<u>58,858</u>	<u>875,386</u>	<u>934,244</u>
Totals	<u>\$ 107,566</u>	<u>\$ 1,033,539</u>	<u>\$ 1,141,105</u>

The Certificates of Obligation Series 1990 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.

The Certificates of Obligation, FmHA Series 1993 were issued in conjunction with an FmHA Grant of \$1,170,000 for the purpose of constructing a Wastewater Collections System. The obligations have an annual rate of interest of 5 1/8%, payable semi-annually on May 1 and November 1, with principle installments payable May 1 each year.

Since the City anticipates the Utility Fund (Water, Sewer and Garbage) will provide the annual debt service on the certificates of obligation, they are considered to be liabilities of the Utility 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 Utility 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 Utility Fund, they are backed by the full faith credit of the City and are a contingent liability to the general government.

### **NOTE 8. LEASE PURCHASE OBLIGATION**

On September 1, 1999, the City entered into a lease – purchase agreement to acquire land and a building to serve as a City Hall. The term of the lease is seven (7) years with the option to purchase the property at the end of the term. The lease calls for monthly installments of \$785.13, with a balloon payment in the eighty-fourth (84<sup>th</sup>) month of \$99,075. The effective rate of interest is 8% per annum.

The annual payments under the terms of the lease – purchase agreement, for the next five years are as follows:

**For the Year Ended September 30, 2000**

**NOTE 8. LEASE PURCHASE OBLIGATION(Continued)**

<b><u>Year Ended</u></b> <b><u>September 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2001	\$ 968	\$ 8,453	\$ 9,421
2002	1,048	8,373	9,421
2003	1,135	8,286	9,421
2004	1,230	8,191	9,421
2005	1,332	8,089	9,421
Thereafter	<u>100,393</u>	<u>8,696</u>	<u>109,089</u>
	<u>\$106,106</u>	<u>\$ 50,088</u>	<u>\$156,194</u>

**NOTE 9. NOTE PAYABLE**

On April 11, 2000, the City executed a note payable to the Marble Falls National Bank for \$11,500 to purchase a maintainer. That note is payable in eighteen (18) cash payments of \$679.42, including interest at 7.75%. The balance at September 30, 2000, was \$8,438.

**NOTE 10. STATEMENT OF CASH FLOWS**

The City has adopted the indirect method of reporting cash flows for its proprietary fund activity. For purpose of reporting cash flow, all highly liquid investments (excluding restricted assets) with a maturity date of three (3) months or less are considered to be cash equivalents.

**NOTE 11. 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 May 1, 1994, through April 30,1997, with an automatic extension of the contract annually for three (3) 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 an may be mutually extended by agreement of the parties.

**NOTE 12. DEFICIT FUND BALANCES**

The City had the following deficit fund balances at September 30, 2000:

General Fund	(187,954)
Debt Service Fund	(1,905)

BURL D. LOWERY, C.P.A.  
JOYCE CORNELIUS, C.P.A.

**BURL D. LOWERY**  
**CERTIFIED PUBLIC ACCOUNTANT**  
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**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 Mayor and City Council  
City of Cottonwood Shores

We have audited the financial statements of the City of Cottonwood Shores Texas, for the year ended September 30, 2000, and have issued our report thereon dated April 23, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of San Cottonwood Shores' 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 San Cottonwood Shores' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 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 that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Cottonwood Shores in a separate letter dated April 23, 2001.

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

Respectfully submitted,



Burl D. Lowery  
Certified Public Accountant  
April 23, 2001



P.O. Box 1 Johnson City, Texas 78636-0001  
(830) 868-7155 • 1-888-554-4732

April 20, 2001

The Honorable Dale Pickens  
City of Cottonwood Shores  
3808 Cottonwood Drive  
Cottonwood, Texas 78654

Dear Mayor Pickens:

Pedernales Electric Cooperative requests that time be reserved on Cottonwood Shores' city council agenda for the meeting scheduled May 17, 2001, at 7:00 p.m. Trey Grebe and George Bird will be attending to provide the council with an update on the Cooperative's activities in your area as well as answer any questions you may have.

If there is a change in the date or time of the above scheduled meeting, please notify Ginny Bain at (830) 868-4921 or toll free at 1-888-554-4732, Extension 4921.

Sincerely,

Jeanell Davis  
Operations Manager

JD:GB:gb

cc: Trey Grebe

