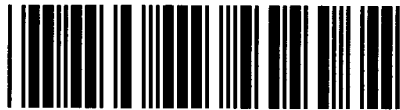




Control Number: 42962



Item Number: 5

Addendum StartPage: 0

House Bill (HB) 1600 and Senate Bill (SB) 567 83rd
Legislature, Regular Session, transferred the functions
relating to the economic regulation of water and sewer
utilities from the TCEQ to the PUC effective
September 1, 2014

City of Lyford

P.O. Box 310 • 196 West Main
Lyford, Texas 78569
Phone: (956) 347-3512 • Fax: (956) 347-5434

RECEIVED
2014 NOV 20 PM 2:19
PUBLIC UTILITY COMMISSION
FILING CLERK

February 19, 2002

Cindy Cavazos - TNRCC
Water Quality Applications Team (MC 156)
Permits Administrative Review Section
Registration Renew & Reporting Division
P.O. Box 13087
Austin, Texas 78711-3087

Re: Registration Nos: A1326 and A1237
Administrative Review No. A-239-1

Dear Ms. Cavazos:

Enclosed please find a copy of the city's last annual financial report for fiscal year ended September 30, 2000.

If you need any further information, please call me at (956) 347-3512.

Sincerely,

Lydia Moreno

Lydia Moreno
City Secretary

Enc.

RECEIVED
FEB 25 2002
WATER QUALITY APPLICATIONS TEAM

ANNUAL FINANCIAL REPORT

CITY OF LYFORD, TEXAS

September 30, 2000

RECEIVED
FEB 25 2002
WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
ANNUAL FINANCIAL REPORT
September 30, 2000

CITY OFFICIALS

Mayor

Rodolfo Saldana

Commissioner and Mayor Pro-Tem

Ricardo Aparicio

Commissioners

Mary Lou Garcia
Mary Mata
Jose G. (Wally) Solis
Maggie Quilantan

City Secretary/Finance Director

Lydia Moreno

RECEIVED
FEB 25 2002
WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
TABLE OF CONTENTS

	<u>Exhibit Number</u>	<u>Page Number</u>
FINANCIAL SECTION		
INDEPENDENT AUDITORS' REPORT	-	7
GENERAL PURPOSE FINANCIAL STATEMENTS		
Combined Balance Sheet - All Fund Types and Account Groups	1	10
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	2	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual - All Governmental Fund Types	3	13
Statement of Revenues, Expenses and Changes in Retained Earnings (Deficit) - All Proprietary Fund Types	4	14
Statement of Cash Flows - All Proprietary Fund Types	5	15
Notes to Financial Statements	-	16
COMBINING STATEMENTS AND BUDGET COMPARISONS		
Special Revenue Funds		
Combining Balance Sheet	A-1	34
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	A-2	35
SUPPLEMENTAL SECTION		
Schedule of Delinquent Taxes Receivable	B-1	38
Analysis of Bonded Indebtedness - Waterworks and Sewer System Revenue Bonds	B-2	39
Schedule of Insurance Coverage - Unaudited	B-3	40

RECEIVED
FEB 25 2002

WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
TABLE OF CONTENTS – CONTINUED

	<u>Exhibit Number</u>	<u>Page Number</u>
SUPPLEMENTAL SECTION - Continued		
Supplementary Grant Revenue and Expense Schedule - Budget and Actual from Inception of the Project Through September 30, 2000		
TDHCA Grant No. 717491	B-4	42
TDHCA Grant No. 720479	B-5	43
 COMPLIANCE SECTION		
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	-	47
Schedule of Findings and Questioned Costs	-	49
Schedule of Status of Prior Findings	-	53
Corrective Action Plan	-	54

RECEIVED
FEB 25 2002
WATER QUALITY APPLICATIONS TEAM

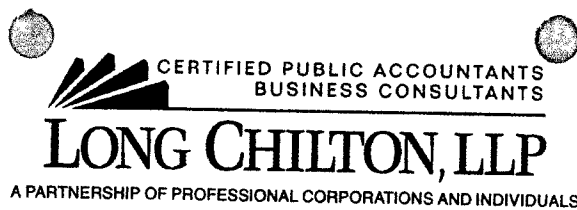
FINANCIAL SECTION

RECEIVED
FEB 25 2002

WATER QUALITY APPLICATIONS TEAM

RECEIVED
FEB 25 2002
WATER QUALITY APPLICATIONS TEAM

(This page intentionally left blank)



Members - Division of Firms,
American Institute of CPAs

402 East Tyler
Harlingen, Texas 78550
(956) 423-3765
Fax (956) 428-7520
www.longchilton.com

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Commission
City of Lyford, Texas

We have audited the accompanying general purpose financial statements of the City of Lyford, Texas (the "City") as of and for the year ended September 30, 2000, as listed in the table of contents. These financial statements are the responsibility of the City'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 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 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 our audit provides a reasonable basis for our opinion.

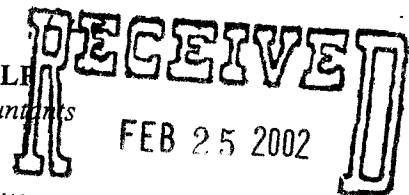
In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Lyford, Texas, as of September 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2001 on our consideration of City of Lyford, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis. These schedules and statements are not a required part of the general purpose financial statements. 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 stated in all material respects in relation to the general purpose financial statements taken as a whole.

Harlingen, Texas
March 9, 2001

Long Chilton
LONG CHILTON, LLP
Certified Public Accountants



WATER QUALITY APPLICATIONS TEAM

(This page intentionally left blank)

RECEIVED
FEB 25 2002
WATER QUALITY APPLICATIONS TEAM

**GENERAL PURPOSE
FINANCIAL STATEMENTS**

RECEIVED
FEB 25 2002
WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
 September 30, 2000

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Account Group</u>	<u>Totals</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>General</u>	<u>(Memorandum Only)</u>	
				<u>Fixed Assets</u>	<u>2000</u>	<u>1999</u>
ASSETS AND OTHER DEBITS						
Cash and cash equivalents	\$147,250	\$ 987	\$ 40,195	\$ -	\$ 188,432	\$ 209,858
Restricted cash	2,071	-	2,700	-	4,771	708
Investments	427,000	-	556,361	-	983,361	824,691
Restricted investments	-	-	43,639	-	43,639	46,219
Receivables						
Property taxes, net	64,985	-	-	-	64,985	56,877
Nonproperty taxes	6,912	-	-	-	6,912	13,693
Service, net	-	-	33,396	-	33,396	30,523
Other	13,265	-	3,505	-	16,770	4,142
Due from state	1,216	3,250	-	-	4,466	10,622
Due from other funds	-	-	33,135	-	33,135	27,578
Inventory	-	-	6,768	-	6,768	8,729
Prepaid expenditures/expenses	5,828	-	-	-	5,828	6,122
Fixed assets, net	-	-	1,617,570	1,782,417	3,399,987	3,744,654
Water rights	-	-	115,545	-	115,545	115,545
 Total assets and other debits	 <u>\$668,527</u>	 <u>\$ 4,237</u>	 <u>\$2,452,814</u>	 <u>\$1,782,417</u>	 <u>\$4,907,995</u>	 <u>\$5,099,961</u>

The accompanying notes are an integral part of these financial statements.

RECEIVED
 FEB 25 2002
 WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS - CONTINUED
September 30, 2000

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Account Group</u>	<u>Totals</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>General Fixed Assets</u>	<u>(Memorandum Only)</u>	
					<u>2000</u>	<u>1999</u>
LIABILITIES						
Accounts payable	\$ 1,561	\$ 3,250	\$ 3,933	\$ -	\$ 8,744	\$ 30,354
Accrued expenses/expenditures and other liabilities	655	843	2,636	-	4,134	4,975
Due to state	1,433	-	1,362	-	2,795	6,660
Due to other funds	32,991	144	-	-	33,135	27,578
Deferred revenues	71,957	-	-	-	71,957	60,939
Current portion of long-term debt	-	-	2,500	-	2,500	2,500
Payable from restricted assets	-	-	19,839	-	19,839	20,302
Revenue bonds payable	-	-	<u>110,000</u>	-	<u>110,000</u>	<u>120,000</u>
Total liabilities	108,597	4,237	140,270	-	253,104	273,308
FUND EQUITY AND OTHER CREDITS						
Contributed capital	10,000	-	2,791,649	-	2,801,649	2,763,849
Investment in general fixed assets	-	-	-	1,782,417	1,782,417	2,062,872
Unreserved retained earnings (deficit)	-	-	(479,105)	-	(479,105)	(367,446)
Fund balance						
Reserved for prepaid expenditures	5,828	-	-	-	5,828	6,122
Unreserved, undesignated	<u>544,102</u>	-	-	-	<u>544,102</u>	<u>361,256</u>
Total fund equity and other credits	<u>559,930</u>	-	<u>2,312,544</u>	<u>1,782,417</u>	<u>4,654,891</u>	<u>4,826,653</u>
Total liabilities, fund equity and other credits	<u>\$668,527</u>	<u>\$ 4,237</u>	<u>\$2,452,814</u>	<u>\$1,782,417</u>	<u>\$4,907,995</u>	<u>\$5,099,961</u>

RECEIVED
FEB 25 2002
WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES**
 For the Year Ended September 30, 2000

(With Comparative Totals for the Year Ended September 30, 1999)

	<u>Governmental Fund Types</u>		<u>Totals</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u> <u>2000</u>	<u>1999</u>
Revenues				
Property taxes	\$131,340	\$ -	\$131,340	\$117,174
Nonproperty taxes	77,994	-	77,994	72,513
Intergovernmental	33,249	19,750	52,999	116,509
Fines and forfeitures	68,649	-	68,649	59,870
Miscellaneous	<u>131,486</u>	<u>-</u>	<u>131,486</u>	<u>34,116</u>
Total revenues	442,718	19,750	462,468	400,182
Expenditures				
Current				
General government	110,132	6,750	116,882	123,971
Public safety	117,858	-	117,858	107,717
Highways and streets	91,400	-	91,400	76,431
Capital outlay	1,160	13,000	14,160	61,013
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,077</u>
Total expenditures	<u>320,550</u>	<u>19,750</u>	<u>340,300</u>	<u>373,209</u>
Excess (deficiency) of revenues over (under) expenditures	122,168	-	122,168	26,973
Other financing sources (uses)				
Operating transfers in (out)	<u>60,384</u>	<u>-</u>	<u>60,384</u>	<u>22,675</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	182,552	-	182,552	49,648
Fund balance - beginning of year	<u>377,378</u>	<u>-</u>	<u>377,378</u>	<u>327,730</u>
Fund balance - end of year	<u>\$559,930</u>	<u>\$ -</u>	<u>\$559,930</u>	<u>\$ 377,378</u>

The accompanying notes are an integral part of these financial statements.

RECEIVED
 FEB 25 2002
 WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS)
 AND ACTUAL - ALL GOVERNMENTAL FUND TYPES**
 For the Year Ended September 30, 2000

	<u>General Fund</u>		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Property taxes	\$127,679	\$131,340	\$ 3,661
Nonproperty taxes	66,500	77,994	11,494
Intergovernmental	27,448	33,249	5,801
Fines and forfeitures	73,300	68,649	(4,651)
Miscellaneous income	<u>10,073</u>	<u>131,486</u>	<u>121,413</u>
Total revenues	305,000	442,718	137,718
Expenditures			
Current			
General government	146,207	110,132	36,075
Public safety	127,052	117,858	9,194
Highways and streets	94,651	91,400	3,251
Capital outlay	<u>2,090</u>	<u>1,160</u>	<u>930</u>
Total expenditures	<u>370,000</u>	<u>320,550</u>	<u>49,450</u>
Excess (deficiency) of revenues over (under) expenditures	(65,000)	122,168	187,168
Other financing sources (uses)			
Operating transfers in (out)	<u>65,000</u>	<u>60,384</u>	<u>(4,616)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	-	182,552	182,552
Fund balance - beginning of year	<u>377,378</u>	<u>377,378</u>	<u>-</u>
Fund balance - end of year	<u>\$377,378</u>	<u>\$559,930</u>	<u>\$182,552</u>

The accompanying notes are an integral part of these financial statements.

RECEIVED
 FEB 25 2002
 WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 RETAINED EARNINGS (DEFICIT) - ALL PROPRIETARY FUND TYPES**
 For the Year Ended September 30, 2000

(With Comparative Totals for the Year Ended September 30, 1999)

	Proprietary <u>Fund Type</u> <u>Enterprise</u>	1999 Total (Memorandum <u>Only</u>)
Operating revenues		
Water, sewer and garbage - user charges	\$362,564	\$346,867
Water and sewer connection charges	3,440	6,550
Other income	<u>1,877</u>	<u>8,251</u>
Total operating revenues	367,881	361,668
Operating expenses		
Personal services	150,817	144,956
Contracted services	12,946	3,101
Material and supplies	109,840	107,855
Other expenses	32,762	37,666
Depreciation	<u>134,655</u>	<u>122,315</u>
Total operating expenses	441,020	415,893
Operating income (loss)	(73,139)	(54,225)
Nonoperating revenues (expenses)		
Intergovernmental	-	2,770
Investment income	28,114	23,890
Interest expense	(6,250)	(6,750)
Gain on sale of fixed assets	<u>-</u>	<u>300</u>
Total nonoperating revenues (expenses)	21,864	20,210
Income (loss) before operating transfers	(51,275)	(34,015)
Other financing sources (uses)		
Operating transfers in (out)	<u>(60,384)</u>	<u>(22,675)</u>
NET INCOME (LOSS)	(111,659)	(56,690)
Retained earnings (deficit) - beginning of year	(367,446)	(310,756)
Retained earnings (deficit) - end of year	\$(479,105)	\$(367,446)

The accompanying notes are an integral part of these financial statements.

RECEIVED
 FEB 25 2002
 WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES
For the Year Ended September 30, 2000

(With Comparative Totals for the Year Ended September 30, 1999)

	Proprietary Fund Type <u>Enterprise</u>	1999 Total (Memorandum Only)
Cash flows from operating activities		
Operating income (loss)	\$ (73,139)	\$ (54,225)
Adjustments to reconcile net income from operations to net cash from operating activities		
Depreciation	134,655	122,315
(Increase) decrease in receivables	(4,088)	3,129
(Increase) decrease in inventory	1,961	(1,622)
(Increase) decrease in due from other funds	(6,511)	(6,953)
Increase (decrease) in accounts payable	(7,614)	1,584
Increase (decrease) in accrued expenses and other liabilities	(216)	443
Increase (decrease) in due to state	(12)	-
Increase (decrease) in due to other funds	<u>-</u>	<u>(5,751)</u>
Net cash provided by operating activities	45,036	58,920
Cash flows from noncapital financing activities		
Federal grant proceeds	-	2,770
Operating transfers in (out)	<u>(60,384)</u>	<u>(22,675)</u>
Net cash used by noncapital financing activities	(60,384)	(19,905)
Cash flows from capital and related financing activities		
Increase (decrease) in meter deposits	(463)	1,050
Proceeds of capital grants	37,800	168,297
Proceeds from disposition of fixed assets	-	300
Purchase/construction of fixed assets	(70,443)	(193,265)
Principal paid on long-term debt	(10,000)	(10,000)
Interest paid on long-term debt	<u>(6,250)</u>	<u>(6,750)</u>
Net cash used by capital and related financing activities	(49,356)	(40,368)
Cash flows from investing activities		
Purchases of investments	(600,000)	(606,639)
Proceeds from maturity of investments	633,000	425,000
Investment income received	<u>21,984</u>	<u>1,738</u>
Net cash provided (used) by investing activities	<u>54,984</u>	<u>(179,901)</u>
Net increase (decrease) in cash and cash equivalents	(9,320)	(181,254)
Cash and cash equivalents - beginning of year	428,815	<u>233,869</u>
Cash and cash equivalents - end of year	<u>\$ 52,615</u>	<u>\$ 52,615</u>

The accompanying notes are an integral part of these financial statements.

RECEIVED
FEB 25 2003
WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lyford, Texas complies with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The following significant accounting policies were applied in the preparation of the accompanying financial statements:

1. Reporting Entity

The accompanying financial statements present the City's primary government and a component unit, the Lyford Volunteer Fire Department. The criteria for including organizations within the City's reporting entity, as set forth in NCGA Statement No. 3, "Defining the Reporting Entity", primarily include the degree of oversight responsibility maintained by the City Commission. Examples of oversight responsibility include financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The services provided by the Lyford Volunteer Fire Department primarily benefit the City. Based upon the reporting guidelines above, their financial information is blended into the City's primary government, specifically the general fund.

2. Fund Accounting

The accounts of the City are organized into funds and account groups, each of which is considered to be a separate accounting entity. The major fund categories and account groups are:

Governmental Fund Types

Governmental funds are accounted for using the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

Proprietary Fund Type

Proprietary funds are accounted for using the economic resources measurement focus; the accounting objectives are a determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheets. Proprietary fund equity is segregated into contributed capital and retained earnings.

Fiduciary Fund Types

Fiduciary funds account for assets held by the City in a trustee or agent capacity. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Pension trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature and do not involve measurement of results of operations. The City does not utilize any fiduciary fund types.

RECEIVED
FEB 25 2002
WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Groups

The account groups are used to account for fixed assets and long-term liabilities which are not accounted for in the respective governmental funds.

3 Basis of Accounting

Modified Accrual Basis of Accounting

The City uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "*measurable and available*". Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Accrual Basis of Accounting

The accrual basis of accounting is used in proprietary fund types. The accrual basis of accounting recognizes revenues when earned. Expenses are recorded when incurred.

4 Budgets and Budgetary Accounting

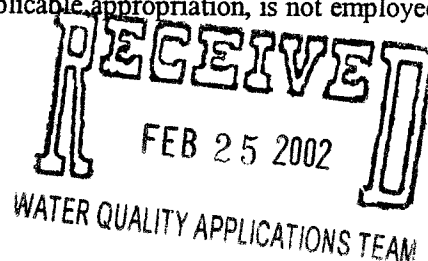
The City Secretary submits an annual budget to the Mayor and City Commission in accordance with state and local requirements. In September, the City Commission adopts an annual fiscal year appropriated budget for the general fund. Once approved, the City Commission may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. The general fund budget is presented on the modified accrual basis of accounting.

Legally authorized budgets are prepared for the special revenue funds on a project basis. Expenditures for these funds are controlled on a project basis and are carried forward each year until the project is completed or the grant award has been expended.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by account which constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions are subject to final review by the City Commission. Revisions to the budget were made throughout the year.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.



City of Lyford, Texas
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Assets, Liabilities and Equity

a. Cash and Cash Equivalents

The City considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

b. Investments

In accordance with provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools," investments are reported at fair value which is determined by market value. Certificates of deposits are reported at carrying amount which reasonably estimates fair value.

c. Restricted Cash and Investments

Restricted cash consists of amounts received for bond reserves.

d. Allowance for Uncollectible Accounts

The City calculates its allowances for uncollectible accounts using historical collection data, specific account analysis and management's judgment.

e. Inventories

Inventories in proprietary funds are recorded at the lower of cost or market on a first-in, first-out basis.

f. Prepaid Items

Expenditures made to third party vendors for goods and services that will benefit periods beyond September 30, 2000 are recorded as prepaid items.

g. Fixed Assets, Depreciation and Amortization

Property, plant and equipment of all funds are stated at historical cost. Donated fixed assets are stated at their fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Governmental fund fixed assets are recorded in the General Fixed Assets Account Group and are not depreciated. The City has elected to report public domain or infrastructure fixed assets that are immovable and of value only to the City government. Proprietary fund fixed assets are recorded and depreciated using the straight-line method. Estimated useful lives, in years, for depreciable assets are as follows:

Building and site improvements
System equipment
Vehicles and mobile equipment

RECEIVED
FEB 25 2002
WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

h. *Due from and to Other Funds*

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The receivables and payables are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet.

i. *Compensated Absences*

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Generally, after one year of service, employees are entitled to all accrued vacation leave upon termination.

Compensated absences for sick leave do not vest and accordingly, employees can only be paid sick leave when sick. Since the employee's accumulated rights to receive compensation for future absences is contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave has not been recorded.

The estimated portion of the liability for vested vacation benefits is not material to the City. Thus, no liability has been recognized.

j. *Long-Term Obligations*

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term liabilities, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

k. *Fund Equity*

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, other governments, or other funds. Reserves represent those portions of fund equity not appropriate for expenditure or are legally segregated for a specific future use. The purpose for each is indicated by the account title on the face of the balance sheet.

l. *Deficit Retained Earnings*

The enterprise (water and sewer) fund's deficit balance in retained earnings of \$479,105 is the result of charges for services inadequate to cover expenses including depreciation over an extended period of time. The City is considering methods to eliminate this deficit, but has not formalized any plan.

RECEIVED
FEB 25 2002
WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

m. *Interfund Transactions*

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditure or expenses initially made from it that are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as a reduction of expenditures or expenses in the fund that is reimbursed.

All other interfund transactions except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

n. *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

o. *Memorandum Only - Total Columns*

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

p. *Comparative Data*

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand. Certain reclassifications have been made to the prior year comparative totals to conform to the current year presentation.

NOTE B - DEPOSITS AND INVESTMENTS

It is the City's policy to be 100% secured by collateral valued at market less the amount of Federal Deposit Insurance Corporation insurance. The City's deposits and investments are categorized to give an indication of the level of risk assumed by the City at September 30, 2000. The categories are described as follows:

RECEIVED
FEB 25 2002
WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2000

NOTE B - DEPOSITS AND INVESTMENTS - Continued

- Category 1: Insured or collateralized with securities held by the entity or by its agent in the entity's name.
Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
Category 3: Uncollateralized

	Bank	FDIC	Collateral Pledged By Category			Carrying
	<u>Balance</u>	<u>Insurance</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>
Texas State Bank	\$1,220,972	\$115,569	\$ -	\$1,154,059	\$ -	\$1,219,938
Wells Fargo Bank	<u>15</u>	<u>15</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15</u>
	<u>\$1,220,987</u>	<u>\$115,584</u>	<u>\$ -</u>	<u>\$1,154,059</u>	<u>\$ -</u>	<u>\$1,219,953</u>

The carrying amount of \$1,219,953 consists of general fund, special revenue funds and enterprise fund cash and investment balances (including restricted accounts) but does not include petty cash of \$250.

The City's cash deposits at September 30, 2000 were entirely covered by FDIC insurance or pledged collateral. However, during the year ended September 30, 2000 these deposits were not entirely covered by FDIC insurance or pledged collateral held by the City's agent bank.

Statutes authorize the City to invest in obligations of the U. S. Treasury or the State of Texas, certain U. S. agencies, certificates of deposit, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by Chapter 2256 Public Funds Investment and Chapter 2257 Collateral for Public Funds of the Government Code.

The City's investments at September 30, 2000, consisted of certificates of deposit with a carrying amount and market value of \$1,027,000. The carrying amount in the financial statements is the market value and includes investments and restricted investments in the general and enterprise funds.

Similar to cash deposits, investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

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

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

RECEIVED
FEB 25 2002
WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2000

NOTE C - PROPERTY TAXES RECEIVABLE AND PROPERTY TAX CALENDAR

Property taxes are levied as of October 1 on property values assessed as of December 31 of the prior calendar year. The tax levy is billed on October 1 and mailed prior to the end of October. Property taxes attach as an enforceable lien on property as of January 1 following the levy date. The taxes become delinquent as of February 1 and penalties and interest are assessed by the City on taxes paid after that date.

The City's property taxes are recognized as revenue when levied to the extent that they result in current receivables. An allowance for uncollectible taxes is recorded based upon historical experience in collecting property taxes. Delinquent tax payments, received throughout the year, are recognized as revenue in the year they are received.

Property taxes receivable less allowance for doubtful accounts at September 30, 2000 are:

Gross property taxes receivable	\$72,457
Less: allowance for doubtful accounts	<u>(7,472)</u>
Net property taxes receivable	<u>\$64,985</u>

NOTE D - SERVICE RECEIVABLES

Service receivables consist of uncollected amounts billed to customers for utility (garbage, water and sewer) services. At September 30, 2000, service receivables, less an allowance for doubtful accounts, were:

Gross receivable	\$39,729
Allowance for doubtful accounts	<u>(6,333)</u>
Net service receivables	<u>\$33,396</u>

NOTE E - RESTRICTED ASSETS

Certain enterprise fund assets are restricted for debt service requirements on revenue bonds. The ordinance authorizing the issuance of the 1972 Waterworks and Sewer System Bonds requires a debt service fund and a reserve fund be established. The debt service fund received allocations of net revenue monthly in an amount sufficient to pay the next maturing principal and interest payment. The reserve fund for these revenue bonds requires a balance of \$25,000. The debt service and reserve fund requirements for both of these bond issues have been fulfilled.

Restricted assets consist of the following:

1972 Waterworks and Sewer System Revenue Bonds - interest and sinking
1972 Waterworks and Sewer System Revenue Bonds - reserve

RECEIVED	\$9,000
	<u>25,000</u>
FEB 25 2002	<u>\$34,000</u> =

WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2000

NOTE F - PROPERTY AND EQUIPMENT, NET

The following is a summary of changes in the general fixed assets account group during the year:

	October 1, <u>1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments*</u>	September 30, <u>2000</u>
Land, buildings and improvements	\$ 290,980	\$ -	\$ (5,100)	\$ (33,599)	\$ 252,281
Streets, curbs and gutters	1,401,836	-	-	(298,140)	1,103,696
Sports complex	111,170	-	-	38,381	149,551
Machinery and equipment					
Fire department	41,475	-	-	40,067	81,542
Police department	31,990	-	-	17,150	49,140
Office	53,017	1,160	-	(33,369)	20,808
General	132,404	-	-	(20,005)	112,399
Construction in progress	<u>-</u>	<u>13,000</u>	<u>-</u>	<u>-</u>	<u>13,000</u>
Total general fixed assets	<u>\$2,062,872</u>	<u>\$ 14,160</u>	<u>\$ (5,100)</u>	<u>\$ (289,515)</u>	<u>\$1,782,417</u>

*During the year ended September 30, 2000, the City adjusted its investment in general fixed assets by approximately \$290,000 based on a comparison of physical inventory to the subsidiary listing. Comparisons were made at the department level and any non-existent assets were removed from the subsidiary listing and value adjustments were made and reflected as a current year adjustment of general fixed assets.

The gross amount of assets in the balance sheet recorded under capital leases by major classes according to nature and function is not known.

The following is a summary of property and equipment recorded in the City's proprietary fund at September 30:

Water system	\$1,629,352
Sewer system	1,349,853
Vehicles	71,106
Mobile equipment	<u>19,375</u>
	3,069,686
Accumulated depreciation	<u>(1,452,116)</u>
Net property, plant & equipment	<u>\$1,617,570</u>

NOTE G - INTERFUND RECEIVABLES AND PAYABLES

Receivables and payables within the funds of the City at September 30, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise	General	
Water and Sewer	General	\$ 32,991
Enterprise	Special Revenue	
Water and Sewer	TCDP #715192 - Willacy Apparel Grant	72
Water and Sewer	TCDP #720479 - Street, Drainage, and	
	Sewer Improvements	<u>72</u>
		<u>\$ 33,135</u>

City of Lyford, Texas
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2000

NOTE H - DEFERRED REVENUES

The City records net tax levies initially as deferred revenue and converts those deferrals to realized revenue when the taxes are collected. The City had the following deferred revenues at September 30, 2000:

Net unrealized property taxes	\$ 64,985
Partial property tax payments	4,594
Prepaid property taxes	<u>2,378</u>
Total deferred revenues	<u>\$ 71,957</u>

NOTE I - PAYABLE FROM RESTRICTED ASSETS

Payables from restricted assets at September 30, consist of the following:

Revenue bonds payable	\$ 7,500
Meter deposits	<u>12,339</u>
	<u>\$ 19,839</u>

NOTE J - LONG-TERM DEBT

General Long-Term Debt

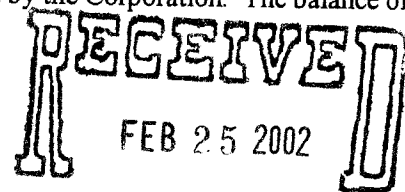
General obligation bonds, issued by the City for various improvements, are approved by the voters. These bonds are backed by the full faith and credit of the City.

Revenue Bonds

Revenue bonds outstanding consist of debt issued by the proprietary fund which is payable solely from the revenues of the fund. Revenue bonds are collateralized primarily by the respective facilities and revenues derived from them. The bond indentures contain requirements for annual debt service and flow of funds through the various restricted accounts. The City is in compliance with all significant requirements of the bond covenants. These bonds are payable to U. S. Department of Agriculture (FHA).

Conduit Debt

The City entered into a contract with the Texas Department of Commerce to construct a building to support the expanding operation of Indiana Knitwear Corporation. The contract provided a grant of \$13,000 and a maximum loan of \$487,000. The noninterest bearing loan is payable over a maximum of 240 months from the lease income from Indiana Knitwear Corporation. The loan constitutes indebtedness and pledge of the faith and credit of the City in that the City is responsible for repayment of the loan. However, the City holds the deed for the leased property and may sell or lease the property subsequent to any default by the Corporation. The balance of the loan at September 30, 2000 was \$339,804.



WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2000

NOTE J - LONG-TERM DEBT - Continued

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30:

<u>Description and purpose</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 10/1/99</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 9/30/00</u>
Enterprise Fund Debt						
Series 1972-B Waterworks and Sewer System Revenue Bonds						
original amount \$330,000	1/1/2012	5%	<u>\$130,000</u>	<u>\$ -</u>	<u>\$10,000</u>	<u>\$120,000</u>

The annual debt service requirements, including principal and interest, for long-term debt as of September 30, are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 10,000	\$ 5,750	\$ 15,750
2002	10,000	5,250	15,250
2003	10,000	4,750	14,750
2004	10,000	4,250	14,250
2005	10,000	3,750	13,750
Subsequent	<u>70,000</u>	<u>12,250</u>	<u>82,250</u>
	<u>\$120,000</u>	<u>\$ 36,000</u>	<u>\$156,000</u>

NOTE K - FUND EQUITY

Contributed capital is recorded in the general fund and the enterprise fund. The \$10,000 in the general fund results from contributed capital in prior years from the Lyford Volunteer Fire Department. The contributed capital in the enterprise fund arises from asset additions funded by federal grants over a period of years.

Retained earnings (deficit) in the water and sewer fund results in part from the depreciation on assets recorded through contributed capital. Because this is an enterprise fund, depreciation is recognized on all the assets utilized by the fund. The depreciation expense on these contributed assets over the years has significantly contributed to the fund's retained earnings (deficit).

NOTE L - MAJOR CUSTOMERS

For the year ended September 30, 2000, the City did not have charges to one customer which represented in excess of 10% of Water and Sewer fund revenues.

RECEIVED
FEB 25 2002
WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2000

NOTE M - SEGMENT INFORMATION - ENTERPRISE FUND

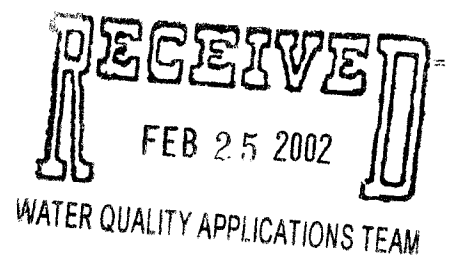
The City maintains an enterprise fund of the primary government which is intended to be self-supporting through user fees charged for water, sewer and garbage services to the public. Financial segment information as of and for the year ended September 30, 2000, is presented below.

Operating revenues	\$ 367,881
Depreciation	134,655
Operating income (loss)	(73,139)
Operating grants, entitlements, and shared revenues	-
Operating interfund transfers in (out)	(60,384)
Net income (loss)	(111,659)
Current capital contributions	37,800
Fixed asset additions	70,443
Net working capital	709,268
Total assets	2,452,814
Long-term liabilities payable from operating revenues	110,000
Total equity	2,312,544

NOTE N - PARTICIPATION IN PUBLIC ENTITY RISK POOL

The City's workers' compensation, liability and property insurance coverage are obtained through Texas Municipal League Intergovernmental Risk Pool (TML Pool). The TML Pool was established by the various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. Losses under \$1,000,000 for workers' compensation and liability and losses under \$250,000 for property that are incurred by TML members are paid with TML Pool funds. Claims in excess of these limits are paid under terms of insurance policies obtained by the TML Pool. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool Board or by the State Board of Insurance of Texas. Such rates are estimated to include all claims expected to occur during the policy period, including claims incurred but not reported. The TML has established claims reserves for each of the types of insurance offered. Thus, although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contributed rate for subsequent years. Members are also entitled to returns of contributions if actual results are more favorable than estimated.

For the year ended September 30, 2000, the City contributed \$9,908 for its workers' compensation coverage and \$30,751 for its property and liability coverage through TML.



City of Lyford, Texas
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2000

NOTE O - COMMITMENTS AND CONTINGENCIES

The City has potential construction commitments in connection with two grants with USDA Rural Development.

The City participates in a number of grant programs funded by State and Federal Agencies. These programs are subject to compliance audits by the grantor agencies or their representatives.

Audits of all of these programs including the year ended September 30, 2000 have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

In addition, at September 30, 2000, the City was a defendant in various litigation as to which the ultimate resolution and possibility of any unfavorable outcome is not yet determinable. At the present time, the City does not anticipate any material losses as a result of these lawsuits.

NOTE P - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In prior years, the Internal Revenue Code specified that the plan's assets were the property of the City of Lyford until paid or made available to participants, subject only on an equal basis to the claims of the City's general creditors. A 1996 federal law now requires all assets and income of Internal Revenue Section 457 deferred compensation plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries.

Assets of the City's plan are administered by private corporations under contract with the City. The private administrators have amended the plans to comply with the new federal law. Consequently, the plan's assets and liabilities are not reported in the City's financial statements.

NOTE Q - LEGAL COMPLIANCE

Expenditures exceeded final amended budget amounts for the year in the following accounts. The variances primarily resulted from allocated salary and benefit costs which were more than the amount anticipated when the budget was amended.

General government
Salaries
Group insurance
Bank charges

\$ 3,879
6,170
122

RECEIVED
FEB 25 2002

WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2000

NOTE Q - LEGAL COMPLIANCE - Continued

Public safety	
Police department	
Salaries	\$ 548
Payroll taxes	1,337
Insurance (general and group)	1,779
 Municipal court	
Workers' compensation insurance	104
 Highways and streets	
Salaries	4,898
Group insurance	3,638

NOTE R - PENDING GASB STATEMENTS

At September 30, 2000, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City of Lyford, Texas. The statements, which might impact City of Lyford, Texas, are as follows:

No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", issued December 1998, will be effective for the fiscal year ending September 30, 2001. Statement No. 33 imposes new standards for the timing of the recognition of revenue in certain nonexchange transactions. Nonexchange transaction types affected are: derived tax revenues such as sales taxes; imposed nonexchange revenues such as property taxes; government-mandated nonexchange transactions such as federal or state mandated programs; and voluntary nonexchange transactions such as certain grants or private contributions. Management of City of Lyford, Texas continues to study the statement provisions, and has not yet determined what effect, if any, Statement No. 33 will have on financial condition or the recognition and presentation of nonexchange transactions.

No. 34, "Basic Financial Statements and Management Discussion and Analysis - For State and Local Governments", issued June 2000, will be effective for the City of Lyford, Texas, based on its revenues, for the fiscal year ending September 30, 2004. Statement No. 34, summarized below, imposes new standards for financial reporting. Management has not yet completed their assessment of this statement, however, it will have a material effect on the overall financial statement presentation for City of Lyford, Texas.

The new financial statement guidelines embodied in Statement 34 are the culmination of many years of study and deliberation by the GASB. For the first time, financial managers will be required to share their insights in a management's discussion and analysis (MD&A) that gives readers an analysis of the government's overall financial position and results of the previous year's operations.

City of Lyford, Texas
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2000

NOTE R - PENDING GASB STATEMENTS - Continued

Financial statements will be presented under a dual perspective - a government-wide perspective (new) and a fund level perspective. For the first time, the annual report will include government-wide financial statements prepared using full accrual accounting for the government's activities, not just those that cover costs by charging a fee for services, as was previously required. Governments will report all capital assets, including infrastructure, in a government-wide statement of net assets and will report depreciation expense, the cost of using up capital assets, in the statement of activities. Infrastructure assets will be reported, but may not be required to be depreciated under certain circumstances. The net assets of a government will be broken down into three categories: invested in capital assets, net of related debt; restricted; and unrestricted. A statement of activities will be presented in at least the same level of detail provided in the governmental fund statements; generally, expenses and program revenues by function. Program expenses will include all direct expenses; governments that allocate overhead and other indirect expenses to individual programs will show the allocation in a separate column. Special and extraordinary items will be reported separately from other revenues and expenses. This way, users will see if the government's conventional, recurring revenues and expenses balanced.

Statement 34 requires governments to continue to present fund level financial statements with information about funds. The focus of these fund-based statements has been sharpened, however, by requiring governments to report information about their most important or major funds (those whose revenues, expenditures/expenses, assets or liabilities are at least 10 percent of the total for their fund category or type (governmental or enterprise) and at least 5 percent of the aggregate amount for all governmental and enterprise funds), including a government's general fund. Fund-based statements for governmental activities (generally, those supported by tax revenues) will continue to report the flow of current financial resources (generally, cash and other assets that can easily be converted to cash).

To help users understand and assess the relationship between fund-based and government-wide financial statements, governments will present a summary reconciliation that will show the interplay between the two types of statements. Governments will continue to provide budgetary comparison information in their annual reports - as required supplementary information. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

RECEIVED
FEB 25 2002

WATER QUALITY APPLICATIONS TEAM

(This page intentionally left blank)

RECEIVED
FEB 25 2002

WATER QUALITY APPLICATIONS TEAM

COMBINING STATEMENTS

AND

BUDGET COMPARISONS

RECEIVED
FEB 25 2002
WATER QUALITY APPLICATIONS TEAM



RECEIVED
FEB 25 2002
WATER QUALITY APPLICATIONS TEAM

(This page intentionally left blank)

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

The City of Lyford, Texas has the following Special Revenue Funds:

TCDP #715192 - Willacy Apparel (Indiana Knitware) Grant
TCDP #717491 - Street, Water and Sewer Improvements Grant
TCDP #720479 - Street, Drainage and Sewer Improvements Grant

RECEIVED
FEB 25 2002
WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
 September 30, 2000

(With Comparative Totals as of September 30, 1999)

	TCDP #715192 Willacy Apparel (Indiana Knitware) <u>Grant</u>	TCDP #717491 Street, Water and Sewer Improvements <u>Grant</u>	TCDP #720479 Street, Drainage and Sewer Improvements <u>Grant</u>	Totals (Memorandum Only)	
				<u>2000</u>	<u>1999</u>
ASSETS AND OTHER DEBITS					
Cash	\$ 915	\$ -	\$ 72	\$ 987	\$ 987
Due from state	<u>-</u>	<u>-</u>	<u>3,250</u>	<u>3,250</u>	<u>10,111</u>
Total assets and other debits	<u>\$ 915</u>	<u>\$ -</u>	<u>\$ 3,322</u>	<u>\$ 4,237</u>	<u>\$ 11,098</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 3,250	\$ 3,250	\$ 9,157
Accrued expenses and other liabilities	843	-	-	843	843
Due to other funds	<u>72</u>	<u>-</u>	<u>72</u>	<u>144</u>	<u>1,098</u>
Total liabilities	915	-	3,322	4,237	11,098
FUND EQUITY AND OTHER CREDITS					
Unreserved, undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund equity and other credits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, fund equity, and other credits	<u>\$ 915</u>	<u>\$ -</u>	<u>\$ 3,322</u>	<u>\$ 4,237</u>	<u>\$ 11,098</u>

RECEIVED
 FEB 25 2002

WATER QUALITY APPLICATIONS TEAM

The accompanying notes are an integral part of these financial statements.

City of Lyford, Texas
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2000

(With Comparative Totals as of September 30, 1999)

	TCDP #715192 Willacy Apparel (Indiana Knitware) <u>Grant</u>	TCDP #717491 Street, Water and Sewer Improvements <u>Grant</u>	TCDP #720479 Street, Drainage and Sewer Improvements <u>Grant</u>	Totals (Memorandum Only) <u>2000</u> <u>1999</u>
Revenues				
Intergovernmental	\$ -	\$ 575	\$ 19,175	\$ 19,750 \$ 70,342
Expenditures				
Current				
General government	-	575	6,175	6,750 26,201
Capital outlay	<u>-</u>	<u>-</u>	<u>13,000</u>	<u>13,000</u> <u>44,141</u>
Total expenditures	<u>-</u>	<u>575</u>	<u>19,175</u>	<u>19,750</u> <u>70,342</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u> <u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u> <u>\$ -</u>

The accompanying notes are an integral part of these financial statements

RECEIVED

FEB 25 2002

WATER QUALITY APPLICATIONS TEAM

(This page intentionally left blank)

SUPPLEMENTAL SECTION

RECEIVED
FEB 25 2002
WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 For the Fiscal Year Ended September 30, 2000

	Balance 10/01/99	Assessment	Collections	Adjustments	Balance 9/30/00
1989 and prior	\$ 4,206	\$ -	\$ (947)	\$ -	\$ 3,259
1990-91	1,271	-	(100)	-	1,171
1991-92	1,586	-	(104)	-	1,482
1992-93	2,089	-	(252)	-	1,837
1993-94	2,316	-	(572)	-	1,744
1994-95	3,652	-	(867)	-	2,785
1995-96	5,015	-	(1,320)	-	3,695
1996-97	7,113	-	(2,266)	-	4,847
1997-98	13,445	-	(3,924)	(62)	9,459
1998-99	24,228	-	(8,714)	(99)	15,415
1999-00	<u>-</u>	<u>125,714</u>	<u>(98,388)</u>	<u>(563)</u>	<u>26,763</u>
	64,921	125,714	(117,454)	(724)	72,457
Less allowance for uncollectibles	<u>(8,044)</u>				<u>(7,472)</u>
Net taxes receivable	<u>\$ 56,877</u>				<u>\$ 64,985</u>

RECEIVED
 FEB 25 2002
 WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
ANALYSIS OF BONDED INDEBTEDNESS
WATERWORKS AND SEWER SYSTEM REVENUE BONDS

\$330,000 - 5%

SERIES 1972-B DATED - DECEMBER 15, 1972

September 30, 2000

Payable to: U. S. Department of Agriculture (FHA)

<u>Bond</u>	<u>Maturity</u>	<u>Principal Amounts</u>	<u>Interest Coupons</u>	<u>Total Annual Payment</u>
211-220	1-1-01	\$ 10,000	\$ 3,000	
	7-1-01		2,750	\$ 15,750
221-230	1-1-02	10,000	2,750	
	7-1-02		2,500	15,250
231-240	1-1-03	10,000	2,500	
	7-1-03		2,250	14,750
241-250	1-1-04	10,000	2,250	
	7-1-04		2,000	14,250
251-260	1-1-05	10,000	2,000	
	7-1-05		1,750	13,750
261-270	1-1-06	10,000	1,750	
	7-1-06		1,500	13,250
271-280	1-1-07	10,000	1,500	
	7-1-07		1,250	12,750
281-290	1-1-08	10,000	1,250	
	7-1-08		1,000	12,250
291-300	1-1-09	10,000	1,000	
	7-1-09		750	11,750
301-310	1-1-10	10,000	750	
	7-1-10		500	11,250
311-320	1-1-11	10,000	500	
	7-1-11		250	10,750
321-330	1-1-12	<u>10,000</u>	<u>250</u>	<u>10,250</u>
Total		<u>\$120,000</u>	<u>\$ 36,000</u>	<u>\$156,000</u>

Series 1972-B City of Lyford Bonds were authorized by the City Council in the principal amounts of \$290,000 for constructing, equipping and extending a sewer system, and \$40,000 to provide improvements and extend the City's water system.

These bonds are a special obligation to the City and are payable from and secured by revenues derived from the City's waterworks and sewer systems; they are not tax bonds.

The City expressly reserves the right to redeem in their inverse numerical order, Bond No's 201-330, both inclusive, of this issue, in whole or in part, on January 1, 2000, or on any interest payment date thereafter, at par and accrued interest to date fixed for redemption if due provision for payment is made.

RECEIVED
 FEB 25 2002
 WATER QUALITY APPLICATIONS TEAM

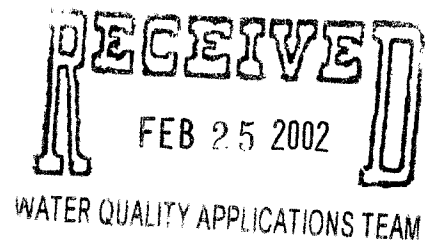
City of Lyford, Texas
SCHEDULE OF INSURANCE COVERAGE - UNAUDITED
 September 30, 2000

<u>Company</u>	<u>Policy Number</u>	<u>Coverage</u>
TML Workers' Compensation	9658-99	Workers' compensation - accident & bodily injury covers clerical, municipal waterworks, refuse collection, elected officials, volunteer firefighters, animal control, police officers and police reserves
Hartford Life Insurance	41VP240454	Volunteer Fire Department - Accidental Death Permanent disability Partial disability
Merchants Bonding Company	TX412576	Fidelity bond - Delia Fonseca
Western Surety Company	13030240 14312479 68621831 68674876 68607946 69117627 69031180	Fidelity bond - Lydia Moreno Fidelity bond - Benito Estrada Fidelity bond - Rodolfo Saldana (Mayor) Fidelity bond - Mario Cano Fidelity bond - Chief and Assistant Chief (Fire Department) Fidelity bond - Eutimio Gutierrez (Municipal Judge) Fidelity bond - Maggie Quilantan (Mayor Pro-Tem)
Texas Municipal League - Intergovernmental Risk Pool	9658-99	General liability Automobile liability Auto physical damage Law enforcement Errors & omissions liability - claims made basis Real and personal property Mobile equipment Boiler and machinery Windstorm

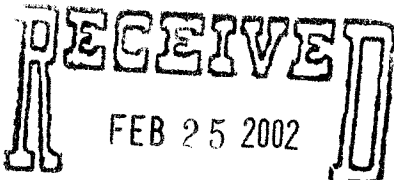
In addition, the City of Lyford was a certificate holder (i.e., additional insured) under policy DXX80767225 issued by Fireman's Fund Insurance Co. for the period September 1, 2000 to September 1, 2001 for general liability insurance on the Indiana Knitware Corporation (Willacy Apparel) building. The policy provides coverage of \$875,500 for the building and \$1,081,500 for the contents with limits of \$1,000,000 for each occurrence and a \$2,000,000 annual aggregate.

Number of customers connected as of September 30, 2000:

Water connections	719
Sewer connections	591



Amounts and Limits	Policy Dates	
	From	To
Accidental death	10/1/99	10/1/00
Bodily injury		
Statutory limitations		
\$10,000 accidental death	7/1/99	7/1/00
\$100 per week for maximum of 52 weeks		
\$50 per week for maximum of 6 weeks		
\$10,000	10/13/99	10/13/00
\$75,000	12/24/99	12/24/02
\$10,000	5/3/00	5/3/03
\$75,000	7/17/00	7/17/01
\$10,000	12/5/99	12/5/00\
\$10,000	5/21/00	5/21/03
\$10,000	9/18/00	9/18/01
\$75,000	05/15/00	05/15/01
\$1,000,000 per occurrence with \$2,000,000 annual aggregate	10/1/99	10/1/00
\$1,000,000 per occurrence with \$25,000 medical limit per person		
Actual cash value with \$10,000 deductible per occurrence and		
\$250 deductible per vehicle		
\$1,000,000 per occurrence with \$2,000,000 annual aggregate and		
\$1,000 deductible per occurrence		
\$1,000,000 per wrongful act with \$2,000,000 annual aggregate		
and \$1,000 deductible per wrongful act		
Blanket limit on each occurrence \$1,895,560 with \$250 deductible		
Blanket limit on each occurrence \$50,724 with \$250 deductible		
\$100,000 per accident with \$250 deductible		
\$1,645,560 building and \$140,000 contents		


 FEB 25 2002
 WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
SUPPLEMENTARY GRANT REVENUE AND EXPENSE SCHEDULE -
BUDGET AND ACTUAL
TDHCA GRANT NO. 717491
TCDP - STREET, WATER AND SEWER IMPROVEMENTS
 For the Period of August 29, 1997 through September 30, 2000

(A Schedule Requested by the Texas Department of Housing and Community Affairs)

	<u>Project Budget</u>	<u>Federal/State</u>		<u>Local Match</u>		<u>Total</u>	<u>Budget Balance</u>
		<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>		
Revenues							
Federal							
Intergovernmental	\$ 348,544	\$347,969	\$ 575	\$ -	\$ -	\$348,544	\$ -
State	-	-	-	-	-	-	-
Local match	-	-	-	-	-	-	-
	<u>\$348,544</u>	<u>\$347,969</u>	<u>\$ 575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$348,544</u>	<u>\$ -</u>
Expenditures							
Federal							
Construction							
Water plant							
improvements	\$ 49,435	\$ 49,435	\$ -	\$ -	\$ -	\$ 49,435	\$ -
Sewer plant							
improvements	118,784	118,784	-	-	-	118,784	-
Street improvements	132,538	132,538	-	-	-	132,538	-
Engineering fees	35,180	35,180	-	-	-	35,180	-
Administrative	12,607	12,032	575	-	-	12,607	-
State	-	-	-	-	-	-	-
Local match	-	-	-	-	-	-	-
	<u>\$348,544</u>	<u>\$347,969</u>	<u>\$ 575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$348,544</u>	<u>\$ -</u>

Federal Grantor: U S Department of Housing and Urban Development - Community Development Block Grant
 Pass Through Grantor: Texas Department of Housing and Community Affairs - Contact for the Texas Department of Commerce
 CFDA Number: 14.228
 Contract Number: 717491
 Contract Period: August 29, 1997 through August 28, 1999

RECEIVED
 FEB 25 2002

WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
SUPPLEMENTARY GRANT REVENUE AND EXPENSE SCHEDULE -
BUDGET AND ACTUAL
TDHCA GRANT NO. 720479
TCDP - STREET, WATER AND SEWER IMPROVEMENTS
For the Period of April 19, 2000 through September 30, 2000

(A Schedule Requested by the Texas Department of Housing and Community Affairs)

	<u>Project Budget</u>	<u>Federal/State</u>		<u>Local Match</u>		<u>Total</u>	<u>Budget Balance</u>
		<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>		
Revenues							
Federal							
Intergovernmental	\$315,240	\$ -	\$ 56,975	\$ -	\$ -	\$ 56,975	\$258,265
State	-	-	-	-	-	-	-
Local match	-	-	-	-	-	-	-
	<u>\$315,240</u>	<u>\$ -</u>	<u>\$ 56,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,975</u>	<u>\$258,265</u>
Expenditures							
Federal							
Construction							
Sewer facilities	\$ 48,000	\$ -	\$ 33,800	\$ -	\$ -	\$ 33,800	\$ 14,200
Street improvements	172,321	-	-	-	-	-	172,321
Drainage improvements	37,266	-	-	-	-	-	37,266
Engineering fees	30,000	-	17,000	-	-	17,000	13,000
Administrative	27,653	-	6,175	-	-	6,175	21,478
State	-	-	-	-	-	-	-
Local match	-	-	-	-	-	-	-
	<u>\$315,240</u>	<u>\$ -</u>	<u>\$ 56,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,975</u>	<u>\$258,265</u>

Federal Grantor: U. S. Department of Housing and Urban Development - Community Development Block Grant
Pass Through Grantor: Texas Department of Housing and Community Affairs - Contact for the Texas Department of Commerce
CFDA Number: 14.228
Contract Number: 720479
Contract Period: April 19, 2000 through April 18, 2002

RECEIVED
FEB 25 2002
WATER QUALITY APPLICATIONS TEAM

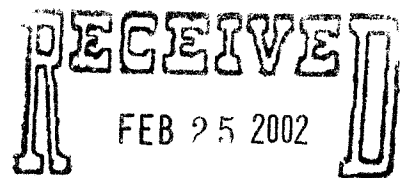
RECEIVED
FEB 25 2002
WATER QUALITY APPLICATIONS TEAM

(This page intentionally left blank)

COMPLIANCE SECTION

RECEIVED
FEB 25 2002
WATER QUALITY APPLICATIONS TEAM

(This page intentionally left blank)



WATER QUALITY APPLICATIONS TEAM

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members of the City Commission
City of Lyford, Texas

We have audited the financial statements of the City of Lyford, Texas (the "City") as of and for the year ended September 30, 2000, and have issued our report thereon dated March 9, 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's 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as items 00-1, 00-2, and 00-3.

Internal Control Over Financial Reporting

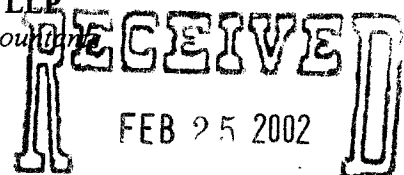
In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. A 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 management of the City in a separate letter dated March 9, 2001.

This report is intended solely for the information and use of management, others within the organization, the Mayor and members of the City Commission and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Harlingen, Texas
March 9, 2001

Long Chilton, LLP

LONG CHILTON, LLP
Certified Public Accountants



WATER QUALITY APPLICATIONS TEAM

City of Lyford, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2000

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes

 X no

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

_____ yes

 X none reported

Noncompliance material to financial statements
noted?

_____ yes

 X no

RECEIVED
FEB 25 2002

WATER QUALITY APPLICATIONS TEAM