

BEXAR-MEDINA-ATASCOSA COUNTIES WATER
CONTROL AND IMPROVEMENT DISTRICT NO. 1

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2000

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Independent Auditor's Report

April 25, 2001

To the Board of Directors
Bexar-Medina-Atascosa Counties Water Control
and Improvement District No. 1
Natalia, Texas

I have audited the accompanying general purpose financial statements of the Bexar-Medina-Atascosa Counties Water Control and Improvement District No. 1 (the District) as of and for the year ended December 31, 2000. These general purpose financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

As more fully discussed in note 4 to the financial statements, the District has not determined the quantity and value of land acquired for operation and expansion of the irrigation system since the District's creation in 1925. The District's records do not permit the application of alternative procedures regarding the value of such land at the time of acquisition.

In my opinion, except for the omission of the information discussed in the preceding paragraph and as discussed in note 4, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Bexar-Medina-Atascosa Counties Water Control and Improvement District No. 1 as of December 31, 2000, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Bexar-Medina-Atascosa Counties Water Control and Improvement District No. 1. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

GREGORY R. SEIBERT
CERTIFIED PUBLIC ACCOUNTANT

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1**

COMBINED BALANCE SHEET - ALL FUND TYPES

December 31, 2000

ASSETS

	<u>Proprietary Fund Types</u>
Current asset:	
Cash	\$ 339,329
Accounts receivable:	
Fixed water assessments - net	87,309
Payroll liability overpayment	18,043
Texas Water Development Board	12,467
Accrued interest	12,132
Prepaid expenses	6,936
Total current assets	<u>476,216</u>
Propert, plant and equipment	3,560,182
Restricted assets:	
Cash and cash equivalents	160,426
Investments - contract revenue notes escrow	3,206,283
Interest receivable	17,176
Deferred charge - debt issue costs - net	88,500
	<u>7,032,567</u>
	<u>\$ 7,508,783</u>

LIABILITIES AND EQUITY

Current liabilities:	
Notes payable	\$ 184,130
Accounts payable	778,563
Deferred revenue	4,822
Accrued liabilities	41,343
Current portion of contract revenue notes	300,000
Total current liabilities	<u>1,308,858</u>
Contract revenue notes	<u>3,465,000</u>
Equity:	
Contributed capital	221,436
Retained earnings	2,513,489
	<u>2,734,925</u>
	<u>\$ 7,508,783</u>

See independent auditor's report and accompanying notes to financial statements.

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED
EARNINGS - ALL PROPRIETARY FUND TYPES
Year Ended December 31, 2000**

	<u>Proprietary Fund Types</u>
Revenues from operations:	
Fixed water assessments	\$ 371,172
Irrigation water sales	143,087
Crossings , etc.	7,683
miscellaneous	6,992
	<u>528,934</u>
Operating expenses:	
Directors fees	13,222
Payroll	463,501
Professional fees	466,685
Maintenance and repairs	137,249
Insurance	41,717
Depreciation	85,224
Amortization	1,500
Telephone	9,940
Utilities	6,916
Fuel and lubricants	32,426
Water master fee	23,512
Vehicle	22,706
Supplies	12,985
Uniforms	5,408
Equipment rental	1,408
Schools and siminars	415
Postage	2,946
Legal notices & recording fees	1,414
Election costs	24,593
Dues and subscriptions	1,606
Other	3,564
	<u>1,358,937</u>
Loss from operations	<u>(830,003)</u>
Nonoperating revenues (expenses):	
Bexar-Met contract	750,000
Interest income	53,564
Interest expense	(42,109)
	<u>761,455</u>
Net income	(68,548)
Retained earnings at beginning of year	2,582,037
Retained earnings at end of year	<u>\$ 2,513,489</u>

See independent auditor's report and accompanying notes to financial statements.

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1**
**COMBINED STATEMENT OF CHANGES IN CASH FLOWS - ALL
 PROPRIETARY FUND TYPES**
 Year Ended December 31, 2000

Operating activities:	
Operating loss	\$ (830,003)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	85,224
Amortization	1,500
(Increase) decrease in operating asset items:	
Accounts receivable:	
Fixed water assessments - net	11,966
Payroll liability overpayment	(18,043)
Accrued interest	(632)
Prepaid expenses	6,784
Increase (decrease) in operating liability items:	
Accounts payable	29,405
Deferred revenue	(73,136)
Accrued liabilities	26,822
Net cash used in operating activities	<u>(760,113)</u>
Noncapital financing activities:	
Principal payments on notes payable	(25,739)
interest paid on notes payable	(9,437)
Proceeds from Bexar-Met	750,000
Net cash provided by noncapital financing activities	<u>714,824</u>
Capital and related financing activities:	
Proceeds of contract revenue notes	291,115
Interest on contract revenue notes	(32,672)
Acquisition of capital assets	(418,981)
Principal payments on capital lease	(3,806)
Net cash used in capital and related financing activities	<u>(164,344)</u>
Investing activities:	
Interest income	53,564
Net cash provided by investing activities	<u>53,564</u>
Increase in cash and cash equivalents	(156,069)
Cash and cash equivalents at beginnig of year	495,398
Cash and cash equivalents at end of year	<u>\$ 339,329</u>

See independent auditor's report and accompanying notes to financial statements.

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2000**

Note 1 - Summary of Significant Accounting Policies

The Bexar-Madina-Atascosa Water Control and Improvement District No. 1 (the District) was organized as a municipal corporation under the Water Improvement District laws of Texas, Section 52, Article III, Texas Constitution; Chapter 2, Title 128, Article 7622 and subsequent, Revised Statutes of Texas of 1925; and Chapter 87 of the general laws passed by the Thirty-fifth Legislature at the regular session in 1917. The District currently operates under Article XVI, Section 59 of the Texas Constitution, Chapters 49, 50 and 51 of the Texas Water Code, and other applicable general laws of the State. The District was reorganized as a municipal corporation or Irrigation District on February 8, 1925. The District provides irrigation water to a three county area in south-central Texas. The District is under full control of a seven member Board of Directors. Board members are elected by the landowners of the District to serve a four year term.

Reporting Entity - The District, for financial purposes, includes all of the funds and account groups relevant to its operations.

Generally accepted accounting principles require that the financial statements of the District include those of separately administered organizations for which the District is financially accountable. Financial accountability is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

Based on the foregoing criteria, there were no component units required to be included in these financial statements.

Fund Accounting - The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts that include its assets, liabilities, fund equity, revenues, and expenditures or expenses. The following funds and groups of accounts are used by the District:

Proprietary Fund Types:

Proprietary funds use the economic resources measurement focus. The accounting objectives are 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 sheet. Proprietary fund equity is segregated into contributed capital and retained earnings.

Basis of Accounting - The accrual basis of accounting is used in proprietary fund types. The accrual basis of accounting recognizes revenue when earned. Expenses are recorded when incurred.

Budgets and Budgetary Accounting - An annual operating budget is adopted by the Board of Directors as a management tool and to meet contractual obligations. Monthly budget reports are prepared for the Board to maintain proper budgetary control.

It is the District's policy to prepare the annual budget on the cash basis of accounting.

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2000**

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents - For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

Property, Plant and Equipment - Property, plant and equipment are stated at historical costs. Donated fixed assets are stated at their fair value on the date donated. The District provides for depreciation over the estimated useful lives of the assets using the straight-line method. Estimated useful lives, in years, for depreciable assets are as follows:

Building	15 - 50
Machinery and equipment	7 - 30
Automobiles and trucks	5 - 10
Furniture and fixtures	3 - 30
Fencing	30
Communication equipment	10
Miscellaneous	3 - 30

Compensated Absences - The District allows employees to accumulate vacation and sick leave within certain limitations. Pursuant to GASB pronouncements, the District does not record as expense non-vested sick leave. The accrued vacation payable at December 31, 2000 was immaterial and therefore was not recorded at year-end.

Risk Management - The District provides for potential losses due to insurable risks primarily through the purchase of commercial liability insurance. Such insurance covers risk areas such as losses related to property damage or theft and bonding of the Board of Directors.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

Deposits (cash and certificate of deposit) are carried at cost, which approximates market value. The District's deposits are categorized to give an indication of the level of risk assumed by the District at year-end. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 - Uncollateralized.

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2000**

Note 2 - Deposits (continued)

Deposits, categorized by level of risk, are as follows:

	Bank	Category			Carrying Amount	Total
	Balance	1	2	3		
Cash and cash equivalents	\$ 246,693	\$ 246,693	\$ -	\$ -	\$ 249,255	\$ 249,255
Certificate of deposit	250,000	250,000	-	-	250,000	250,000
	<u>\$ 496,693</u>	<u>\$ 496,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 499,255</u>	<u>\$ 499,255</u>

Investments consist of an escrow account with the Bank of New York where the proceeds of the issuance of contract revenue notes were deposited per an escrow agreement. These funds are invested in a Fidelity Treasury Fund. These funds are reported at cost which approximates market. The balance in this account as of December 31, 2000 was \$3,206,283.

Note 3 - Restricted Assets

Certain assets are restricted for construction funded through contract revenue notes.

Note 4 - Accounts Receivable

Accounts receivable consist of fixed water assessments of \$116,309 due as of December 31, 2000. A provision for estimated uncollectible accounts on these assessments in the amount of \$29,000 has been provided.

Note 5 - Property, Plant and Equipment

Property, plant and equipment is carried at cost, if purchased, or fair market value at the date of acquisition, if received as a donation. Depreciation is computed using the straight-line method over the asset's estimated service lives. Depreciation expense for the year ended December 31, 2000 totaled \$85,224.

The following is a summary of the change in the fixed asset accounts for the year ended December 31, 2000:

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND
IMPROVEMENT DISTRICT NO.1**

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

Note 5 - Property, Plant and Equipment (continued)

	Balance December 31, 1999	Additions	Deletions	Balance December 31, 2000
Land and easements	\$ 194,451	\$ -	\$ -	\$ 194,451
Buildings	160,190	-	-	160,190
Water system	2,778,419	-	-	2,778,419
Machinery and equipment	878,829	6,543	-	885,372
Vehicles	132,287	-	-	132,287
Furniture and fixtures	29,145	-	-	29,145
Fencing	11,282	-	-	11,282
Project development	289,998	-	-	289,998
Canal rehabilitation project	-	412,438	-	412,438
	<u>4,474,601</u>	<u>418,981</u>	-	<u>4,893,582</u>
Less accumulated depreciation	1,248,176	85,224	-	1,333,400
	<u>\$ 3,226,425</u>	<u>\$ 333,757</u>	<u>\$ -</u>	<u>\$ 3,560,182</u>

The value of land acquired since 1925 by the District has not been established; therefore, it is not recorded on the books as of December 31, 2000. The land was deeded to the District by property owners at the time of creation of the District for the purpose of establishing the system of canals needed to complete the irrigation system. The total number of acres donated to the District has not been determined.

Note 6 - Notes Payable

The following is a summary of notes payable as of December 31, 2000:

Notes payable to Medina Valley State Bank; interest accrues at the rate of 6.3% until maturity on January 15, 2001; secured by a vehicle and a \$250,000 certificate of deposit.	\$ 182,000
Note payable to Express Premium Finance Company; due in monthly installments of \$1,077 including interest at 8.75%; matures in February, 2001.	<u>2,130</u>
	<u>\$ 184,130</u>

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2000**

Note 7 - Contract Revenue Notes

On October 7, 2000 the Board of Directors approved a resolution authorizing the issuance of \$3,765,000 of contract revenue notes. The proceeds of these notes are restricted to the rehabilitation of the main irrigation canal. The notes are payable from revenue received from the water sales contract with the Bexar Metropolitan Water District.

The following is a summary of these notes as of December 31, 2000:

\$3,765,000 Series 2000 Contract Revenue Notes due in annual installments of \$300,000 to \$485,000 through February, 2010; interest is variable from 4.81% to 5.56% and is payable semi-annually	\$ <u>3,765,000</u>
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The annual requirements to amortize the debt, including interest payments of \$1,061,272 are as follows:

<u>Year Ending December 31</u>	
2001	\$ 300,000
2002	300,000
2003	315,000
2004	335,000
2005	360,000
2006-2010	<u>2,155,000</u>
	<u>\$ 3,376,000</u>

Note 8 - Water Sales Contracts and Commitments

The district has entered into a series of agreements with the Bexar Metropolitan Water District (Bexar-Met). These agreements provide for the sale of water from the District's water system to Bexar-Met and for payments by Bexar-Met to the District to ensure future water availability for sale to Bexar-Met. Each agreement is described further in this note. In summary, a 1991 agreement provides for the sale of "excess water" (as determined by the District) at a fixed price on a take-or-pay basis; a 1992 agreement suspends for five years certain provisions of the 1991 agreement delaying the sale of excess water to Bexar-Met, with Bexar-Met making fixed annual payments for maintenance, repairs, and improvements to the District's water system; and a 1995 agreement provides that the District will sell specified amounts of water on a "priority basis" before determining the amount of excess water as defined in the 1991 agreement.

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2000**

Note 8 - Water Sales Contracts and Commitments (continued)

Long - Term Water Sales Agreement

The 1991 agreement provides for the sale of excess water from the District's adjudication of 66,000 acre-feet of water per year. The agreement is effective from September 1, 1991, for a period of twenty years with the option to extend the agreement for an additional ten years. Several options to terminate the agreement are available to the District. Bexar-Met may terminate the agreement effective December 31 of the year after Bexar-Met gives proper notices. Implementation of the agreement is subject to approval by the Texas Natural Resource Conservation Commission (TNRCC). In April, 1998, the District's Certificate of Adjudication was amended by the TNRCC to authorize the use of 19,974 acre-feet of its 66,000 acre-foot adjudication for municipal purposes. Excess water is determined at the District's sole discretion. The agreement requires the District to evaluate the availability of excess water at least twice a year in the months of February and August. Bexar-Met agrees to purchase during each contract year all excess water as determined by the District whether or not Bexar-Met takes delivery of the water. The price of the water for the first three contract years shall be \$56.00 for each metered acre-foot, subject to adjustments thereafter. The District is committed to deliver the excess water only by gravity flows to Bexar-Met's designated point of diversion, which is the same as the District's point of diversion in the system.

1992 Water Conservation Agreement

In 1992, the District entered into a water conservation agreement with Bexar-Met. The agreement provides that the District will take certain steps to ensure future excess waters, as defined in the water sales agreement, including measures to conserve water in the District's irrigation system. The agreement became effective September 1, 1992, for a period of five years. Bexar-Met paid the District \$300,000 each year that the contract was in effect.

The water conservation agreement required the District to waive its right to declare excess water during the five-year term of the agreement. Bexar-Met will receive credits against future billings for excess water under the water agreement to the extent of 85% of the first year's conservation agreement payments and 100% of future years' payments. Total credits to be given by the District will not exceed \$1,455,000, and the credit applied to future water purchases in any year may not be more than one-fifth of the total credits.

1995 Water Availability Contract

In 1995, The District completed an agreement with Bexar-Met to make water available to Bexar-Met on a priority basis up to 6,000 acre-feet of water per year, to the extent water is available in accordance with conditions stated in the 1995 agreement. The potential availability of excess water pursuant to the 1991 agreement is directly reduced on an acre-foot basis.

On each anniversary date, Bexar-Met will pay the District the purchase price for the entire quantity of water deliverable under the 1995 agreement during the twelve months following November 1, 1996. The District is entitled to the entire purchase price for the stated quantity of priority water whether or not Bexar-Met accepts the District's tender of the water.

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1**
NOTES TO FINANCIAL STATEMENTS
December 31, 2000

Note 8 - Water Sales Contracts and Commitments (continued)

In 1997, the parties amended this contract. In that amendment Bexar-Met agreed to pay \$168,000 for 3,000 acre-feet of water. Bexar-Met can receive the water in the twelve months starting April 1, 1998.

1999 Agreement

In November, 1999 the District entered into an agreement with Bexar-Met that merges and integrates the prior agreements. Per the 1999 agreement, the District will deliver 10,000 acre feet of priority water to Bexar-Met annually on a take or pay basis at \$69 per acre foot. This amount is to be paid in equal monthly installments of \$57,500 beginning December, 1999.

Bexar-Met will provide \$500,000 per year toward the federal matching fund obligation per the P.L. 83-566 project to rehabilitate the water delivery system. These payments will begin in 2001 and run through 2010. In consideration for Bexar-Met's funding of the annual matching project, the District shall annually convert 1,000 acre feet out of the 19,974 acre feet of water allocated for municipal use under the Certificate of Adjudication 19-2130 for purchase by Bexar-Met on a priority basis until the balance of the 19,974 acre feet of water is allocated to Bexar-Met.

This agreement was amended in June, 2000 whereby Bexar-Met contractually agreed to provide in-kind payment or perform creditable activity in an amount not less than \$500,000 per year toward the federal matching fund obligation for the years 2001 through 2010.

Note 9 - Litigation

The District is a defendant in a lawsuit arising principally in the normal course of operations. In the opinion of management, the outcome of this lawsuit will not have a material adverse effect on the accompanying combined financial statements and, accordingly, no provision for losses have been recorded.

Note 10- Concentrations

The District derived approximately fifty six percent of its income for the year ended December 31, 2000 from the water sales contracts with the Bexar Metropolitan Water District. See note 6 for details of these contracts.

SUPPLEMENTARY INFORMATION

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS - BUDGET AND ACTUAL
Year Ended December 31, 2000**

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance - Favorable (Unfavorable)
Revenues from operations:					
Fixed water assessments	\$ 371,172	\$ (83,102)	\$ 288,070	\$ 352,500	\$ (64,430)
Irrigation water sales	143,087	-	143,087	130,000	13,087
Crossings, etc.	7,683	-	7,683	-	7,683
Miscellaneous	6,992	-	6,992	-	6,992
	<u>528,934</u>	<u>(83,102)</u>	<u>445,832</u>	<u>482,500</u>	<u>(36,668)</u>
Operating expenses:					
Directors fees	13,222	-	13,222	15,100	1,878
Payroll	463,501	18,043	481,544	378,200	(103,344)
Professional fees	466,685	(29,405)	437,280	152,500	(284,780)
Maintenance and repairs	137,249	-	137,249	64,000	(73,249)
Insurance	41,717	(6,784)	34,933	49,000	14,067
Depreciation	85,224	(85,224)	-	-	-
Amortization	1,500	(1,500)	-	-	-
Telephone	9,940	-	9,940	7,500	(2,440)
Utilities	6,916	-	6,916	6,000	(916)
Fuel and lubricants	32,426	-	32,426	25,000	(7,426)
Water maser fee	23,512	-	23,512	24,200	688
Vehicle	22,706	-	22,706	12,500	(10,206)
Supplies	12,985	-	12,985	4,800	(8,185)
Uniforms	5,408	-	5,408	5,000	(408)
Equipment rental	1,408	-	1,408	1,200	(208)
Schools and siminars	415	-	415	1,000	585
Postage	2,946	-	2,946	5,000	2,054
Legal notices & recording fees	1,414	-	1,414	3,000	1,586
Election costs	24,593	-	24,593	3,500	(21,093)
Dues and subscriptions	1,606	-	1,606	100	(1,506)
Other	3,564	-	3,564	1,000	(2,564)
Office equipment	-	-	-	2,500	2,500
Miscellaneous	-	-	-	1,000	1,000
Special projects	-	-	-	64,650	64,650
	<u>1,358,937</u>	<u>(104,870)</u>	<u>1,254,067</u>	<u>826,750</u>	<u>(427,317)</u>
Loss from operations	<u>(830,003)</u>	<u>21,768</u>	<u>(808,235)</u>	<u>(344,250)</u>	<u>(463,985)</u>
Nonoperating revenues (expenses):					
Bexar-Met contract	750,000	-	750,000	336,000	414,000
Interest	53,564	(17,808)	35,756	25,700	10,056
Other	-	-	-	20,550	(20,550)
Interest expense	(42,109)	26,822	(15,287)	(13,000)	(2,287)
Field vehicle	-	-	-	(25,000)	25,000
	<u>761,455</u>	<u>9,014</u>	<u>770,469</u>	<u>344,250</u>	<u>426,219</u>
Excess of revenues over expenditures	<u>(68,548)</u>	<u>30,782</u>	<u>(37,766)</u>	<u>-</u>	<u>(37,766)</u>
Retained earnings at Jan.1	<u>2,582,037</u>	<u>-</u>	<u>2,582,037</u>	<u>2,582,037</u>	<u>-</u>
Retained earnings at Dec. 31	<u>\$ 2,513,489</u>	<u>\$ 30,782</u>	<u>\$ 2,544,271</u>	<u>\$ 2,582,037</u>	<u>\$ (37,766)</u>

See independent auditor's report and accompanying notes to financial statements.

BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND

IMPROVEMENT DISTRICT NO. 1

SCHEDULE OF REVENUES AND EXPENSES

Years Ended December 31

	2000	1999	1998	1997	1996
Revenues from operations:					
Fixed water assessments	\$ 371,172	\$ 397,013	\$ 397,954	\$ 319,908	\$ 287,146
Irrigation water sales	143,087	204,026	229,360	74,763	355,052
Intergovernmental	-	-	168,000	336,000	468,000
Rent and royalty income	7,683	6,994	6,956	8,853	38,978
Penalties and interest	6,992	14,018	18,632	7,522	11,538
	<u>528,934</u>	<u>622,051</u>	<u>820,902</u>	<u>747,046</u>	<u>1,160,714</u>
Operating Expenses:					
Payroll expense	463,501	355,386	361,482	372,379	408,966
Professional fees	466,685	538,121	310,860	352,818	378,698
Repair and maintenance of system	137,249	118,485	58,716	46,061	75,395
Consumable supplies and materials	-	-	-	-	-
General and administrative expenses	206,278	131,172	157,801	162,908	76,334
Depreciation expense	85,224	85,224	85,224	85,217	85,210
	<u>1,358,937</u>	<u>1,228,388</u>	<u>974,083</u>	<u>1,019,383</u>	<u>1,024,603</u>
Operating income (loss)	(830,003)	(606,337)	(153,181)	(272,337)	136,111
Nonoperating revenues	803,564	758,780	14,875	151,974	365,102
Nonoperating expenses	(42,109)	(16,525)	(87,272)	(171,392)	(362,013)
Net income (loss)	<u>\$ (68,548)</u>	<u>\$ 135,918</u>	<u>\$ (225,578)</u>	<u>\$ (291,755)</u>	<u>\$ 139,200</u>

See independent auditor's report and accompanying notes to financial statements.

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1**

CERTIFICATE OF THE BOARD OF DIRECTORS

We, the undersigned, do hereby certify that the audit report of the above named Bexar-Medina-Atascosa Counties Water Control and Improvement District No. 1 for the year ended December 31, 2000, was received by the Board of Directors on the 14th day of May, 2001 and was reviewed and approved at a meeting of the Board of Directors of the District on the 14th day of May, 2001.

Signature of Board Secretary

Signature of Board President