

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

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2001

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Independent Auditor's Report

March 28, 2002

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, 2001. 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 auditing standards generally accepted in the United States of America. 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, 2001, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2001

ASSETS

	<u>Proprietary Fund Types</u>
Current asset:	
Cash	\$ 670,648
Accounts receivable:	
Fixed water assessments - net	180,891
Texas Water Development Board	12,468
Accrued interest	12,132
Prepaid expenses	18,185
Total current assets	<u>894,324</u>
Propert, plant and equipment	3,696,517
Restricted assets:	
Cash and cash equivalents	88,294
Investments - contract revenue notes escrow	3,333,764
Interest receivable	5,730
Deferred charge - debt issue costs - net	79,500
	<u>7,203,805</u>
	<u>\$ 8,098,129</u>

LIABILITIES AND EQUITY

Current liabilities:	
Accounts payable	\$ 719,390
Deferred revenue	24,774
Accrued liabilities	77,283
Current portion of long-term debt	30,566
Current portion of contract revenue notes	300,000
Total current liabilities	<u>1,152,013</u>
Long-term debt	<u>61,321</u>
Contract revenue notes	<u>3,165,000</u>
Equity:	
Contributed capital	221,436
Retained earnings	3,498,359
	<u>3,719,795</u>
	<u>\$ 8,098,129</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, 2001**

	<u>Proprietary Fund Types</u>
Revenues from operations:	
Fixed water assessments	\$ 487,318
Irrigation water sales	161,412
Settlements	43,446
Other	48,957
	<u>741,133</u>
Operating expenses:	
Directors fees	12,511
Payroll	354,816
Professional fees	57,357
Contracted services	85,034
Maintenance and repairs	121,548
Insurance	59,049
Depreciation	110,129
Amortization	9,000
Telephone	10,423
Utilities	8,113
Fuel and lubricants	25,558
Water master fee	11,451
Bank charges	11,461
Supplies	16,245
Uniforms	4,959
Equipment rental	7,979
Schools and siminars	1,857
Postage	5,086
Legal notices & recording fees	1,636
Taxes - payroll	29,130
Dues and subscriptions	1,750
Other	1,243
	<u>946,335</u>
Loss from operations	<u>(205,202)</u>
Nonoperating revenues (expenses):	
Bexar-Met contract	1,177,847
Interest and dividend income	161,665
Interest expense	(191,474)
	<u>1,148,038</u>
Net income	942,836
Retained earnings at beginning of year	2,513,489
Prior period adjustment	42,034
Retained earnings at end of year	<u>\$ 3,498,359</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, 2001

Operating activities:	
Operating loss	\$ (205,202)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	110,129
Amortization	9,000
(Increase) decrease in operating asset items:	
Accounts receivable:	
Fixed water assessments - net	(93,582)
Payroll liability overpayment	18,043
Prepaid expenses	(11,249)
Increase (decrease) in operating liability items:	
Accounts payable	(59,173)
Deferred revenue	19,952
Accrued liabilities	35,940
Net cash used in operating activities	<u>(176,142)</u>
Noncapital financing activities:	
Principal payments on notes payable	(184,130)
interest paid on notes payable	(10,994)
Proceeds from Bexar-Met	1,177,847
Net cash provided by noncapital financing activities	<u>982,723</u>
Capital and related financing activities:	
Payments on long-term debt	(27,854)
Payments on contract revenue notes	(300,000)
Interest on long-term debt	(4,070)
Interest on contract revenue notes	(185,149)
Acquisition of capital assets	(119,854)
Net cash used in capital and related financiag activities	<u>(636,927)</u>
Investing activities:	
Interest income	161,665
Net cash provided by investing activities	<u>161,665</u>
Increase in cash and cash equivalents	331,319
Cash and cash equivalents at beginnig of year	339,329
Cash and cash equivalents at end of year	<u>\$ 670,648</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, 2001**

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, 2001**

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, 2001 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 certificates 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, 2001**

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	\$ 233,379	\$ 233,379	\$ -	\$ -	\$ 253,347	\$ 253,347
Certificates of deposit	505,595	505,595	-	-	505,595	505,595
	<u>\$ 738,974</u>	<u>\$ 738,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 758,942</u>	<u>\$ 758,942</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, 2001 was \$3,333,764.

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 \$209,891 due as of December 31, 2001. 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, 2001 totaled \$110,129.

The following is a summary of the change in the fixed asset accounts for the year ended December 31, 2001:

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

Note 5 - Property, Plant and Equipment (continued)

	Balance December 31, 2000	Additions	Deletions	Balance December 31, 2001
Land and easements	\$ 194,451	\$ -	\$ -	\$ 194,451
Buildings	160,190	-	-	160,190
Water system	2,778,419	-	-	2,778,419
Machinery and equipment	885,372	81,934	-	967,306
Vehicles	132,287	81,491	-	213,778
Furniture and fixtures	29,145	-	-	29,145
Fencing	11,282	10,907	-	22,189
Project development	289,998	-	-	289,998
Canal rehabilitation project	412,438	72,132	-	484,570
	<u>4,893,582</u>	<u>246,464</u>	-	<u>5,140,046</u>
Less accumulated depreciation	1,333,400	110,129	-	1,443,529
	<u>\$ 3,560,182</u>	<u>\$ 136,335</u>	<u>\$ -</u>	<u>\$ 3,696,517</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, 2001. 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 - Long-Term Debt

The following is a summary of long-term debt as of December 31, 2001:

Various Notes payable bearing interest from 6.4% to 9.0%. These notes mature from 2003 to 2005; secured by vehicles and equipment. \$ 91,887

Less current portion 30,566
\$ 61,321

Current maturities of long-term debt are as follows:

2002	\$ 30,566
2003	29,162
2004	28,843
2005	3,316
	<u>\$ 91,887</u>

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

**NOTES TO FINANCIAL STATEMENTS
December 31, 2001**

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, 2001:

\$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	\$ 3,465,000
Less current portion	<u>300,000</u> <u>\$ 3,165,000</u>

The annual requirements to amortize the debt, including interest payments of \$1,061,272 are as follows:

Year Ending December 31	
2002	300,000
2003	315,000
2004	335,000
2005	360,000
2006-2010	2,155,000
	\$ 3,465,000

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, 2001**

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, 2001

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 - Concentrations

The District derived approximately sixty two percent of its income for the year ended December 31, 2001 from the water sales contracts with the Bexar Metropolitan Water District. See note 6 for details of these contracts.

Note 10- Prior Period Adjustment

A prior period adjustment was recorded on the books in 2001 to correct an error in the flat rate receivable. The flat rate receivable was understated by \$42,034 as of December 31, 2000.

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, 2001

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance - Favorable (Unfavorable)
Revenues from operations:					
Fixed water assessments	\$ 487,318 ✓	\$ (93,582)	\$ 393,736	\$ 383,500	\$ 10,236
Irrigation water sales	161,412 ✓	-	161,412	133,000	28,412
Settlements	43,446	-	43,446	-	43,446
Other	48,957	-	48,957	-	48,957
	<u>741,133</u>	<u>(93,582)</u>	<u>647,551</u>	<u>516,500</u>	<u>131,051</u>
Operating expenses:					
Directors fees	12,511	-	12,511	12,600	89
Payroll	354,816	-	354,816	391,901	37,085
Professional fees	57,357	25,000	82,357	138,100	55,743
Contracted services	85,034	-	85,034	92,000	6,966
Maintenance and repairs	121,548	-	121,548	201,915	80,367
Insurance	59,049	-	59,049	76,000	16,951
Depreciation	110,129	(110,129)	-	-	-
Amortization	9,000	(9,000)	-	-	-
Telephone	10,423	-	10,423	10,000	(423)
Utilities	8,113	-	8,113	9,500	1,387
Fuel and lubricants	25,558	-	25,558	28,000	2,442
Water maser fee	11,451	11,249	22,700	24,000	1,300
Bank charges	11,461	-	11,461	-	(11,461)
Supplies	16,245	-	16,245	14,000	(2,245)
Uniforms	4,959	-	4,959	5,000	41
Equipment rental	7,979	-	7,979	2,000	(5,979)
Schools and siminars	1,857	-	1,857	2,000	143
Postage	5,086	-	5,086	2,500	(2,586)
Legal notices & recording fees	1,636	-	1,636	1,500	(136)
Taxes - payroll	29,130	-	29,130	4,680	(24,450)
Dues and subscriptions	1,750	-	1,750	1,500	(250)
Other	1,243	-	1,243	23,500	22,257
Office equipment	-	-	-	6,000	6,000
Miscellaneous	-	-	-	8,000	8,000
	<u>946,335</u>	<u>(82,880)</u>	<u>863,455</u>	<u>1,054,696</u>	<u>191,241</u>
Loss from operations	<u>(205,202)</u>	<u>(10,702)</u>	<u>(215,904)</u>	<u>(538,196)</u>	<u>322,292</u>
Nonoperating revenues (expenses):					
Bexar-Met contract	1,177,847	-	1,177,847	1,055,196	122,651
Interest	161,665	11,446	173,111	-	173,111
Other	-	-	-	33,000	(33,000)
Debt service	(191,474)	(516,054)	(707,528)	(550,000)	(157,528)
	<u>1,148,038</u>	<u>(504,608)</u>	<u>643,430</u>	<u>538,196</u>	<u>105,234</u>
Excess of revenues over expenditures	942,836	(515,310)	427,526	-	427,526
Retained earnings at Jan. 1	2,513,489	-	2,513,489	2,513,489	-
Prior period adjustment	42,034	-	42,034	42,034	-
Retained earnings at Dec. 31	<u>\$ 3,498,359</u>	<u>\$ (515,310)</u>	<u>\$ 2,983,049</u>	<u>\$ 2,513,489</u>	<u>\$ 427,526</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**

	2001	2000	1999	1998	1997
Revenues from operations:					
Fixed water assessments	\$ 487,318	\$ 371,172	\$ 397,013	\$ 397,954	\$ 319,908
Irrigation water sales	161,412	143,087	204,026	229,360	74,763
Intergovernmental	-	-	-	168,000	336,000
Rent and royalty income	-	7,683	6,994	6,956	8,853
Penalties and interest	-	6,992	14,018	18,632	7,522
	<u>648,730</u>	<u>528,934</u>	<u>622,051</u>	<u>820,902</u>	<u>747,046</u>
Operating Expenses:					
Payroll expense	396,457	463,501	355,386	361,482	372,379
Professional fees	57,357	466,685	538,121	310,860	352,818
Repair and maintenance of system	121,548	137,249	118,485	58,716	46,061
Consumable supplies and materials	-	-	-	-	-
General and administrative expenses	260,844	206,278	131,172	157,801	162,908
Depreciation expense	110,129	85,224	85,224	85,224	85,217
	<u>946,335</u>	<u>1,358,937</u>	<u>1,228,388</u>	<u>974,083</u>	<u>1,019,383</u>
Operating income (loss)	(297,605)	(830,003)	(606,337)	(153,181)	(272,337)
Nonoperating revenues	1,431,915	803,564	758,780	14,875	151,974
Nonoperating expenses	(191,474)	(42,109)	(16,525)	(87,272)	(171,392)
Net income (loss)	<u>\$ 942,836</u>	<u>\$ (68,548)</u>	<u>\$ 135,918</u>	<u>\$ (225,578)</u>	<u>\$ (291,755)</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, 2001, was received by the Board of Directors on the 13th day of May, 2002 and was reviewed and approved at a meeting of the Board of Directors of the District on the 13th day of May, 2002.

Signature of Board Secretary

Signature of Board President