

BEXAR COUNTY WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 10

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2010

ANNUAL FINANCIAL REPORT  
OF THE  
BEXAR COUNTY WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 10  
YEAR ENDED DECEMBER 31, 2010

President	Melroy I. Brandt
Vice-President/Treasurer	Joseph W. Reed
Secretary	Paul F. Greenwood
Director	Walton R. Melson
Director	E. Ralph Fincke
Director	Inge R. Geiger
Director	Edward F. Chevalier
General Manager/Tax Assessor-Collector	Richard Frenzel

## C O N T E N T S

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
<u>BASIC FINANCIAL STATEMENTS</u>	
STATEMENT OF NET ASSETS - WATER AND WASTEWATER - PROPRIETARY FUND	4
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - WATER AND WASTEWATER - PROPRIETARY FUND	5
STATEMENT OF CASH FLOWS - WATER AND WASTEWATER - PROPRIETARY FUND	6
NOTES TO FINANCIAL STATEMENTS	7
<u>REQUIRED SUPPLEMENTARY INFORMATION - TEXAS REQUIREMENT</u>	
TSI-1 SERVICES AND RATES	14
TSI-2 ENTERPRISE FUND EXPENSES	15
TSI-3 TEMPORARY INVESTMENTS	16
TSI-4 TAXES LEVIED AND RECEIVABLE - NOT APPLICABLE	
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS - NOT APPLICABLE	
TSI-6 CHANGES IN LONG-TERM BONDED DEBT - NOT APPLICABLE	
TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES - FIVE YEARS	17
TSI-8 BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS	18
N-1 ANNUAL FILING AFFIDAVIT	19
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	20



4801 N.W. LOOP 410, SUITE 725  
SAN ANTONIO, TEXAS 78229-5508  
210/341-2581  
FAX 210/341-2588  
cpas@twbky.com

Thompson,  
Williams,  
Biediger,  
Kastor  
&  
Young,  
L.C.

CERTIFIED PUBLIC ACCOUNTANTS  
MEMBERS AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

Board of Directors  
Bexar County Water Control and  
Improvement District No. 10  
Bexar County, Texas

We have audited the accompanying financial statements of Bexar County Water Control and Improvement District No. 10 (the District) as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Bexar County Water Control and Improvement District No. 10, as of December 31, 2010, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2011, on our consideration of Bexar County Water Control and Improvement District No. 10's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 3d be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Bexar County Water Control and Improvement District No. 10's financial statements as a whole. The accompanying financial information listed as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Thompson Williams Budger Toste & Young, L.L.C.*

Certified Public Accountants

San Antonio, Texas

April 28, 2011

## **Bexar County Water Control and Improvement District No. 10 Management's Discussion and Analysis (MD&A)**

As management of Bexar County Water Control and Improvement District No. 10 (the District), we offer readers the following discussion and analysis of the District's financial activities for the calendar year ended December 31, 2010. The MD&A should be read in conjunction with the accompanying basic financial statements.

### **Financial Highlights**

- The assets of the District exceed its liabilities by \$7,338,419 (net assets) for the fiscal year reported. This is an increase of \$200,090 over the previous year's net asset balance.
- Total net assets are comprised of the following:
  1. Invested in capital assets in the amount of \$5,914,778 includes all property and equipment owned by the District, net of accumulated depreciation.
  2. Unrestricted net assets of \$ 1,423,641 represent the portion available to fund the District's operations.
- Operating revenues decreased by \$155,533, a decrease of 9.12% from calendar year 2009.
- Operating expenses decreased by \$159,297, a decrease of 10.29% from calendar year 2009.
- Growth in capital assets was \$524,580.
- Overall, the slowdown in the general economy did not have a significant impact on the viability of the District. Water and wastewater service is one of the most vital, if not the most vital, service, so customers pay this bill. Absent a total and complete failure of the economy, this should not change.

### **Overview of the Financial Statements**

The management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements and is comprised of two components: (1) basic financial statements and (2) notes to the financial statements.

#### **Basic Financial Statements**

The District maintains a single enterprise fund. This fund is presented in the statement of net assets and in the statement of revenues, expenses, and changes in net assets.

The statement of net assets presents all of the District's assets and liabilities, with the difference being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses, and changes in net assets reports how the District's net assets changed during the most recent calendar year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs regardless of when cash is received or paid. Thus revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

### Notes to the Financial Statements

The accompanying notes provide additional information essential to a full understanding of the data provided in the financial statements.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents various statistical and financial data for the District as supplementary information required by the Texas Commission on Environmental Quality.

### Financial Analysis

The District's net assets at calendar year end are \$7,338,419. This is a \$200,090 increase over last year's net assets of \$7,138,329. The following table provides a summary of the District's net assets at December 31, 2010:

#### SUMMARY OF NET ASSETS

	BUSINESS-TYPE ACTIVITIES		AMOUNT CHANGE	PERCENT CHANGE
	2010	2009		
Current and Other Assets	\$ 1,600,194	\$ 1,625,904	\$ (25,710)	(1.58)%
Capital Assets	5,914,778	5,624,971	289,807	5.15
TOTAL ASSETS	<u>7,514,972</u>	<u>7,250,875</u>	<u>264,097</u>	3.64
Current Liabilities	166,789	102,042	64,747	63.45
Non-Current Liabilities	9,764	10,504	(740)	(7.04)
TOTAL LIABILITIES	<u>176,553</u>	<u>112,546</u>	<u>64,007</u>	63.89
Net Assets:				
Invested in Capital Assets	5,914,778	5,624,971	289,807	5.15
Unrestricted	<u>1,423,641</u>	<u>1,513,358</u>	<u>(89,717)</u>	(5.93)
TOTAL NET ASSETS	<u>\$ 7,338,419</u>	<u>\$ 7,138,329</u>	<u>\$ 200,090</u>	2.80

As a sign that the economy may be starting to recover after several years on the downside, albeit it slowly, the last 19 lots in WinnBrook Estates were sold. The subdivision is fully built out with a total of 216 homes and 3 commercial (irrigation) accounts.

Development of The Gardens of Windcrest, a gated community of 28 lots, remains at a standstill. At the end of the 2009, 14 homes were completed and occupied. There was no activity in 2010.

The primary goal of the District's investment program is security of assets and preservation of value. As a result, investments are in, and will remain in, certificate of deposit and money market accounts. The money market account is maintained at a level sufficient to meet the District's programmed capital expenditures. Investment income for 2010 fell below even the District's modest expectations due to the steady decline in interest rates. The TexPool return

had fallen to 0.19% in December. Certificate of deposit rates had fallen to about 1.0% for one year certificates. The Board investigated the possibility of investing in municipal bond mutual funds, but decided against that course of action when it determined that the overall rating of the funds do not meet the stringent requirements of the State's public funds investment criteria. In the end, the Board decided not to change its investment strategy of investing in CDs and money market accounts. During 2010, CDs were allowed to roll-over, but the Board decided to stagger maturity dates to create a five year ladder. The consensus is that the investment market will improve within the next twelve months and we will see higher rates when the CDs mature. We are meeting our goal of security of assets, but we are falling short of preserving value since inflation is higher than current returns. Ultimately, we are in the water business, not the investment business.

Revenue from water sales came in well below expectations. Two thousand and nine ended very wet and the trend extended into mid-summer. Demand increased in late July and early August and was at average levels in late August. However, tropical storm Hermine brought heavy rains in early September which severely curtailed demand and by the time the benefits of the storm had evaporated and resumed normal patterns, we were in November and the start of sewer averaging efforts. All said and done, consumption for the year was down about 15%.

Revenue from wastewater service was also down significantly due to the above average rainfall during the sewer averaging event (November 19, 2009 - February 23, 2010). The charge for residential wastewater service is computed by averaging water consumption during the November - February time frame. This solution is not perfect, but it is the industry standard practice and probably will remain so until someone invents a reliable method of measuring wastewater. Its major flaw is there is no practical way of determining how much of the water a customer uses actually goes down the drain. The time frame chosen to make the determination is based on the premise that outside uses (irrigation, swimming pools, gardening, etc.) is lowest during the winter. Dry or wet weather directly impacts demand and the averages. The average for wastewater service charges fell to seven hundred cubic feet (7 ccf), the lowest level in several years. Budget projections are/were based on an average of 9 ccf.

There was no watering restriction in 2010. Plenty of rain reduced demand and helped keep the Edwards Aquifer above the 660 foot level that triggers mandatory watering restrictions.

Early in 2010, it became obvious that we needed to adopt a sizable increase in wastewater service rates. Our operating expenses were up about 3% and the San Antonio Water System/City of San Antonio had approved an 11.9% increase in the rates they charge us for processing wastewater. Typically, we would have handled the increase with an across-the-board increase of 15% which would have increased the minimum charge from \$13.00 to \$14.95 and the consumption charge from \$1.67/ccf to 1.92/ccf. However, this had the unfortunate result of saddling consumers at the low end of the consumption scale with a very high charge for the service they receive while charging moderate users a low rate for their usage. The rate structure included an allocation of 5 ccf in the minimum charge. Customers using less than 5 ccf were being charged the same price for service as consumer with an average of 5 ccf. The disparity got worse with each across-the-board increase. Further, we were providing service to the customer with an average of 5 CCF at a substantial financial loss which was being subsidized by the water operation. The Board decided to solve the problem, once and for all by eliminating the 5 ccf included in the minimum charge. The new structure lowered the minimum charge and charges the customer for their actual use. The positive result was that 40% of our customers ended up with a lower bill compared to the old rate structure. On the negative side, customers in the 4-6 ccf range saw an increase of 25-35%.



Fortunately, our customers understood and accepted the change once they understood the rationale behind it. While the increase solved our immediate financial woes, the water operation still subsidizes the wastewater operation. The Board's mid-term goal is to make the wastewater operation pay its own way.

In 2010, the District awarded a contract to RTM Construction, Inc. to replace 8300 feet of 1960 era sewer main which were identified by video inspection in 2009 as in imminent danger of failing. Construction started in January and was completed in September. We spent \$537,000 on the project which was approximately twice the amount programmed for 2010 in the District's five year plan. However, the request for bids was structured in a manner so various segments were discrete units that were individually bid and awarded. That gave the Board the flexibility to award each, any, or all segments. Also, the term of the contract was stipulated to be up to two years. Bids on the project were very favorable, so the Board decided to award the entire project in 2010 instead of over a two year period. This was a wise choice as prices went up considerably in the later part of the year. It was unnecessary to use invested funds as surplus funds in the operating account (which would have been invested) were adequate to keep up with progress/periodic payments. In the end, the District took a giant step toward its goal replacing the mains as they reach the end of their service life.

#### SUMMARY OF CHANGES IN NET ASSETS

	BUSINESS-TYPE ACTIVITIES		AMOUNT	PERCENT
	2010	2009	CHANGE	CHANGE
<u>Revenues</u>				
Charges for Services	\$ 1,549,914	\$ 1,705,447	\$ (155,533)	(9.12)%
<u>Expenses</u>				
Operating Expenses	1,389,170	1,548,467	(159,297)	(10.29)
<u>Other Revenues (Expenses)</u>				
Capital Contributions	22,665	-	22,665	100.0
Investment Income	<u>16,681</u>	<u>29,321</u>	<u>(12,640)</u>	(43.11)
Change in Net Assets	200,090	186,301	13,789	7.40
<u>Beginning Net Assets</u>	<u>7,138,329</u>	<u>6,952,028</u>	<u>186,301</u>	2.68
ENDING NET ASSETS	<u>\$ 7,338,419</u>	<u>\$ 7,138,329</u>	<u>\$ 200,090</u>	2.80

#### Financial Analysis of the District's Operations

For the calendar year ended December 31, 2010, the District has an overall positive fund balance of \$7,338,419. Of this year-end total \$1,423,641 is unrestricted, indicating availability for continuing service requirements. This year's increase in overall fund balance was \$200,090.

#### Capital Assets

The District's investment in capital assets, net of accumulated depreciation, as of December 31, 2010 was \$5,914,778. The total increase in this net investment was 5.2%. See Note 3 for additional information about changes in capital assets during the calendar year.

**CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION**

	BUSINESS-TYPE ACTIVITIES		AMOUNT CHANGE	PERCENT CHANGE
	2010	2009		
Non-Depreciable Assets				
Land	\$ 10,776	\$ 10,776	\$ -	0.0%
Water Rights	2,091,790	2,091,790	-	0.0
Construction in Progress	-	62,225	(62,225)	(100.0)
Depreciable Assets				
Gathering and Distribution Systems	3,787,443	3,432,483	354,960	10.3
Equipment	24,769	27,697	(2,928)	(10.6)
<b>TOTALS</b>	<b>\$ 5,914,778</b>	<b>\$ 5,624,971</b>	<b>\$ 289,807</b>	<b>5.2</b>

**Budget, Economic Environment, and Projected Projects**

One of the key factors influencing the budget of a water/wastewater utility is the weather. It directly effects water consumption and can have pronounced effects on the revenue derived from sales. Our budget is based on an "average" year as best we can define that term, but is weighted toward a wet year. This assures that if we have a wet year and the attendant drop in both water and wastewater revenue, we will be able to meet expenses and still build critical reserves. The year 2010 was a confirmation that our budget process is effectively meeting the financial goals of the District. Although consumption was down by 15%, revenue and expenses were down 9.1% and 10.3% respectively.

Ultimately, the best the District can do under these circumstances is to create a budget in December based on intuition and experience that suggests what the following twelve months will be.

**Contacting the District's Financial Management**

This report is designed to provide the board of directors, citizens, customers, bond rating agencies, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

General Manager  
 Bexar County Water Control and Improvement District No. 10  
 8601 Midcrown Drive  
 Windcrest, Texas 78239  
 (210) 655-2888

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
STATEMENT OF NET ASSETS - WATER AND WASTEWATER  
PROPRIETARY FUND  
DECEMBER 31, 2010

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 430,833
Investments	1,004,594
Accounts Receivable	106,033
Inventory	26,174
Cash and Cash Equivalents - Restricted Assets	<u>32,560</u>
Total Current Assets	<u>1,600,194</u>

NONCURRENT ASSETS

Capital Assets	
Land	10,776
Water Rights	2,091,790
Gathering and Distribution Systems	8,022,952
Equipment	189,706
Less: Accumulated Depreciation	<u>(4,400,446)</u>
Total Noncurrent Assets	<u>5,914,778</u>

TOTAL ASSETS

\$7,514,972

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 108,135
Accrued Compensated Absences	3,255
Accrued Expenses	<u>22,492</u>
Total Current Liabilities	<u>133,882</u>

CURRENT LIABILITIES PAYABLE  
FROM RESTRICTED ASSETS

Customer Deposits	32,560
Due to Developers	<u>347</u>
Total Current Liabilities Payable from Restricted Assets	<u>32,907</u>

NON-CURRENT LIABILITIES

Accrued Compensated Absences	<u>9,764</u>
Total Liabilities	<u>176,553</u>

NET ASSETS

Invested in Capital Assets	5,914,778
Unrestricted	<u>1,423,641</u>
Total Net Assets	<u>7,338,419</u>

TOTAL LIABILITIES AND NET ASSETS

\$7,514,972

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS - WATER AND WASTEWATER  
PROPRIETARY FUND  
YEAR ENDED DECEMBER 31, 2010

OPERATING REVENUES

Charges for Services	
Water Sales	\$ 585,505
Wastewater Services	881,955
Other Fees and Assessments	<u>182,454</u>
Total Operating Revenues	<u>1,549,914</u>

OPERATING EXPENSES

Personnel	328,401
Professional Fees	8,775
Contractual Services	85,838
Wastewater Services	516,706
Repairs and Maintenance	69,561
Utilities	59,794
Other Supplies and Expenses	85,323
Depreciation	<u>234,772</u>
Total Operating Expenses	<u>1,389,170</u>
Operating Income	160,744

NON-OPERATING REVENUES (EXPENSES)

Capital Contributions	22,665
Interest Income	<u>16,681</u>
Change in Net Assets	200,090

NET ASSETS - BEGINNING

7,138,329

TOTAL NET ASSETS - ENDING

\$ 7,338,419

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
STATEMENT OF CASH FLOWS - WATER AND WASTEWATER  
PROPRIETARY FUND  
YEAR ENDED DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 1,565,521
Cash Paid for Personnel Services	(324,827)
Cash Paid for Professional Fees	(8,775)
Cash Paid for Contractual Expenses	(85,838)
Cash Paid for Wastewater Contract	(460,018)
Cash Paid for Repair and Maintenance	(69,561)
Cash Paid for Utilities	(59,794)
Cash Paid for Supplies and Operating Expenses	(82,419)
Net Cash Provided by Operating Activities	474,289

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	(501,915)
Purchase of Investments	(6,976)
Net Cash Used in Investing Activities	(508,891)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	16,681
Net Decrease in Cash and Cash Equivalents	(17,921)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

	481,314
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 463,393

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$ 160,744
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation	234,772
Changes to Assets and Liabilities	
Accounts Receivable	9,879
Inventory	4,889
Accounts Payable	56,688
Customer Deposits	5,730
Accrued Expenses	2,574
Accrued Compensated Absences	(987)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 474,289

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bexar County Water Control and Improvement District No. 10 (District) is a governmental agency that was created by an order of the Texas Water Rights Commission on November 28, 1955 under Section 59 of Article 16 of the Texas Constitution and operates under Chapter 51 of the Texas Water Code.

The creation of the District was confirmed by the electorate of Bexar County Water Control and Improvement District No. 10 at a confirmation election held on February 4, 1956. The board of directors held its first meeting on January 17, 1956 and the first bonds were sold on January 1, 1958.

The District is governed by an elected board of directors. As a water district, it is not controlled by, or dependent upon, any other entity, and does not exercise control over operations of any other entity.

The accounting policies of Bexar County Water Control and Improvement District No. 10 conform to generally accepted accounting principles. The following is a summary of such significant policies.

A. Basis of Accounting, Measurement Focus, and Financial Statement Presentation

The financial statements of the District are reported on the accrual basis of accounting. An enterprise fund is used to account for the operations of the District. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges for water and wastewater services. Operating expenses for enterprise funds include the cost of goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the District's financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector for their enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

B. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and interest-bearing deposits held by the District.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Investments

The District is allowed to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "AA" or its equivalent; (5) certificates of deposit issued by state and national banks domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or secured by obligations mentioned above or credit unions that are guaranteed by the National Credit Union Association; and (6) fully collateralized direct repurchase agreements having a defined termination date.

For the year ended December 31, 2010, the District invested in certificates of deposit and investment pools.

D. Receivables

All receivables are reported at gross values. There is no estimate for uncollectible amounts for water and wastewater accounts as the District has not had a history of uncollectible amounts.

E. Inventory

Inventory consists primarily of equipment and small parts that are used in the repair and maintenance of the District's existing gathering and distribution systems. The inventory is stated at the lower of cost (first-in, first-out method) or market value.

F. Capital Assets

Capital assets, which include land, water rights, gathering and distribution systems, machinery, equipment, and vehicles are reported in the District's financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. When capital assets are purchased, they are capitalized and depreciated in the financial statements.

Capital assets are valued at cost where historical records are available and at an estimated cost where no records exist. Donated capital assets are valued at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Improvements to capital assets that materially extend the life of the asset or add to the value are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets (Continued)

Capital assets are depreciated over their useful lives on a straight-line basis as follows:

<u>ASSETS</u>	<u>YEARS</u>
Gathering and Distribution Systems	15 - 40
Equipment	3 - 10

G. Compensated Absences

All full-time employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences for sickness do not vest or accumulate and are recorded as an expense when they are paid. Compensated absences for vacation pay and compensated time do have a vesting portion based on hours accumulated times the current rate of pay to be paid upon retirement, release from employment, or resignation. A liability for this amount is reflected in the financial statements.

H. Reserves on Fund Equity

The District reports reservations of net assets for amounts that are not available for appropriation.

I. Pension Plan

The District provides pension benefits for all its full-status employees through the Texas County and District Retirement System.

J. Use of 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

As of December 31, 2010, the District had the following investments:

<u>INVESTMENT TYPE</u>	<u>FAIR VALUE</u>	<u>WEIGHTED AVERAGE MATURITY (YEARS)</u>
TexPool Investment Pool	\$ 287,169	-
Certificates of Deposit	<u>717,425</u>	<u>0.80</u>
TOTAL	<u>\$1,004,594</u>	
PORTFOLIO WEIGHTED AVERAGE MATURITY		<u>0.80</u>



BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. Investing is performed in accordance with the investment policies adopted by the board of directors in complying with state statutes. State law limits investments in investment pools to those continuously rated no lower than "AAA" or an equivalent rating by at least one nationally recognized rating service. The District's investment policy does not further limit its investment choices. As of December 31, 2010, the District's pooled investments were rated "AAA" by Standard and Poor's.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposit may not be returned or the district will not be able to recover collateral securities in the possession of an outside party. The District's policy requires deposits to be collateralized by securities pledged by the District's agent, the District's financial institution or the financial institution's trust department, less the amounts of the Federal Deposit Insurance Corporation insurance (FDIC) and the National Credit Union Administration (NCUA). The board of directors approves and designates all authorized depository institutions.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District's policy provides that investments are matched with anticipated cash flows to provide for adequate and timely availability of funds necessary to pay obligations as they become due.

NOTE 3: CAPITAL ASSETS

A summary of capital assets at December 31, 2010 is as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>ENDING BALANCE</u>
Capital Assets, not being Depreciated				
Land, Easements, etc.	\$ 10,776	\$ -	\$ -	\$ 10,776
Construction in Progress	62,225	474,568	(536,793)	-
Water Rights	2,091,790	-	-	2,091,790
Total Capital Assets, not being Depreciated	<u>2,164,791</u>	<u>474,568</u>	<u>(536,793)</u>	<u>2,102,566</u>
Capital Assets, being Depreciated				
Gathering and Distribution Systems	7,439,990	582,962	-	8,022,952
Equipment	185,863	3,843	-	189,706
Total Capital Assets, Being Depreciated	<u>7,625,853</u>	<u>586,805</u>	<u>-</u>	<u>8,212,658</u>
Less Accumulated Depreciation for				
Gathering and Distribution Systems	(4,007,507)	(228,002)	-	(4,235,509)
Equipment	(158,166)	(6,771)	-	(164,937)
Total Accumulated Depreciation	<u>(4,165,673)</u>	<u>(234,773)</u>	<u>-</u>	<u>(4,400,446)</u>
Total Capital Assets, being Depreciated - Net	<u>3,460,180</u>	<u>352,032</u>	<u>-</u>	<u>3,812,212</u>
CAPITAL ASSETS - NET	<u>\$ 5,624,971</u>	<u>\$ 826,600</u>	<u>\$ (536,793)</u>	<u>\$ 5,914,778</u>

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010

NOTE 4: EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Annual Pension Cost (Continued)

The annual required contributions were actuarially determined as a percent of covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2007 and December 31, 2008, the basis for determining the contribution rates for calendar years 2009 and 2010. The December 31, 2009 actuarial valuation is the most recent valuation.

	<u>Actuarial Valuation Information</u>		
Actuarial Valuation Date	12/31/07	12/31/08	12/31/09
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed
Amortization Period	15 Years	20 Years	20 Years
Asset Valuation Method	10 Year Smoothed Value	10 Year Smoothed Value	10 Year Smoothed Value
Actual Assumptions:			
Investment Return*	8.0%	8.0%	8.0%
Projected Salary Increase*	5.3	5.3	5.4
Inflation	3.5	3.5	3.5
Cost-of-Living Adjustments	0.0	0.0	0.0

\* Include inflation at the stated rate.

Trend Information for the Retirement Plan

<u>YEAR ENDING</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF APC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
December 31, 2008	\$ 17,370	100%	\$ -
December 31, 2009	17,960	100	-
December 31, 2010	19,536	100	-

Schedule of Funding Progress for the Retirement Plan

<u>ACTUARIAL VALUATION DATE</u>	<u>ACTUARIAL VALUE OF ASSETS (b)</u>	<u>ACTUARIAL ACCRUED LIABILITY (AAL) (b)</u>	<u>UNFUNDED AAL (UAAL) (b-a)</u>	<u>FUNDED RATIO (a/b)</u>	<u>ANNUAL COVERED PAYROLL (c)</u>	<u>UAAL AS A PERCENTAGE OF COVERED PAYROLL [(b-a)/c]</u>
December 31, 2007	\$ 517,496	\$ 571,038	\$ 53,542	90.62%	\$ 257,076	20.83%
December 31, 2008	534,411	612,850	78,439	87.20	266,011	29.49
December 31, 2009	604,547	676,272	71,725	89.39	280,185	25.60

REQUIRED SUPPLEMENTARY INFORMATION -  
TEXAS REQUIREMENT

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
TSI-2. ENTERPRISE FUND EXPENSES  
YEAR ENDED DECEMBER 31, 2010

<u>PERSONNEL EXPENSES (INCLUDING BENEFITS)*</u>	\$ 328,401
 <u>PROFESSIONAL FEES</u>	
Auditing	8,250
Legal	525
Engineering	-
Financial Advisor	-
 <u>PURCHASED SERVICES FOR RESALE</u>	
Bulk Water and Wastewater Service Purchases	516,706
 <u>CONTRACTED SERVICES</u>	
Bookkeeping	-
General Manager	-
Appraisal Authority	-
Tax Collector	-
Other Contracted Services	85,838
 <u>UTILITIES</u>	
	59,794
 <u>REPAIRS AND MAINTENANCE</u>	
	69,561
 <u>ADMINISTRATIVE EXPENDITURES</u>	
Directors' Fees	-
Office Supplies	2,878
Insurance	36,086
Other Administrative Expenditures	43,860
 <u>CAPITAL OUTLAY</u>	
Capitalized Assets	-
Expenses not Capitalized	-
 <u>TAP CONNECTION EXPENSES</u>	
	-
 <u>SOLID WASTE DISPOSAL</u>	
	-
 <u>FIRE FIGHTING</u>	
	-
 <u>PARKS AND RECREATION</u>	
	-
 <u>OTHER EXPENSES</u>	
	<u>237,270</u>
TOTAL EXPENSES	<u>\$ 1,389,170</u>

\*Number of Persons Employed by the District: 7 Full-Time 1 Part-Time

**MATCH LINE "A" -----**

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES - FIVE YEARS

	AMOUNT		
	2010	2009	2008
<u>OPERATING REVENUES</u>			
Water Sales	\$ 585,505	\$ 600,214	\$ 633,473
Wastewater Service Charges	781,955	915,029	829,357
Tap Connections and Other Revenue	182,454	190,204	218,021
Total Operating Revenues	<u>1,549,914</u>	<u>1,705,447</u>	<u>1,680,851</u>
<u>OPERATING EXPENSES</u>			
Personnel Services	328,401	334,348	317,591
Professional Fees	8,775	8,489	7,366
Contractual Services	85,838	90,016	71,925
Wastewater Services	516,706	624,296	551,132
Repairs and Maintenance	69,561	104,074	87,555
Utilities	59,794	60,947	67,451
Other Supplies and Expenses	85,323	81,543	93,284
Depreciation	234,772	244,654	248,439
Total Operating Expenses	<u>1,389,170</u>	<u>1,548,467</u>	<u>1,444,743</u>
Operating Income	<u>160,744</u>	<u>156,980</u>	<u>236,108</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest Income	16,681	29,321	35,669
Other	22,665	-	-
Total Non-Operating Revenues (Expenses)	<u>39,346</u>	<u>29,321</u>	<u>35,669</u>
NET INCOME	<u>\$ 200,090</u>	<u>\$ 186,301</u>	<u>\$ 271,777</u>
Average Annual Unpaid Bond Principal and Interest	\$ -	\$ -	\$ -
Net Income before Interest Expense and Fiscal Fees	200,090	186,301	271,777
Coverage (Net Income as Adjusted Divided by Annual Debt Service Requirement)	N/A	N/A	N/A
Number of Water Customers at End of Year	2,457	2,434	2,418
Number of Sewer Customers at End of Year	2,398	2,376	2,362
Total Amount of Water Billed to Customers (in 1,000 of Gallons)	319,728	355,093	391,580

**MATCH LINE "B" -----**

(See Auditor's Report)

----- MATCH LINE "A"

		PERCENT OF FUND TOTAL REVENUES				
<u>2007</u>	<u>2006</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 422,786	\$ 582,497	37.78%	35.19%	37.69%	30.20%	36.16%
780,186	846,258	50.45	53.65	49.34	55.73	52.54
<u>196,916</u>	<u>182,063</u>	<u>11.77</u>	<u>11.15</u>	<u>12.97</u>	<u>14.07</u>	<u>11.30</u>
<u>1,399,888</u>	<u>1,610,818</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
331,453	311,778	21.19	19.60	18.89	23.68	19.36
7,129	7,610	0.57	0.50	0.44	0.51	0.47
71,943	70,872	5.54	5.28	4.28	5.14	4.40
549,575	603,664	33.34	36.61	32.79	39.26	37.48
42,061	113,444	4.72	6.10	5.21	3.00	7.04
45,994	57,050	3.86	3.57	4.01	3.29	3.54
53,398	54,109	5.78	13.08	5.55	3.81	3.36
<u>191,610</u>	<u>245,398</u>	<u>15.15</u>	<u>14.35</u>	<u>14.78</u>	<u>13.69</u>	<u>15.23</u>
<u>1,293,163</u>	<u>1,463,925</u>	<u>90.14</u>	<u>90.80</u>	<u>85.95</u>	<u>92.38</u>	<u>90.88</u>
<u>106,725</u>	<u>146,893</u>	<u>9.86</u>	<u>9.20</u>	<u>14.05</u>	<u>7.62</u>	<u>9.12</u>
41,710	47,281	1.08	1.72	2.12	2.98	3.30
-	23,632	1.46	0.00	0.00	0.00	1.65
<u>41,710</u>	<u>70,913</u>	<u>2.54</u>	<u>1.72</u>	<u>2.12</u>	<u>2.98</u>	<u>4.95</u>
<u>\$ 148,435</u>	<u>\$ 217,806</u>	<u>12.40%</u>	<u>10.92%</u>	<u>16.17%</u>	<u>10.60%</u>	<u>14.07%</u>
\$ -	\$ -					
148,435	217,806					
N/A	N/A					
2,385	2,350					
2,330	2,298					
287,237	383,526					

----- MATCH LINE "B"

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS  
YEAR ENDED DECEMBER 31, 2010

Complete District Mailing Address: 8601 Midcrown  
 San Antonio, Texas 78239

District Business Telephone Number: (210) 655-2888

Limit on Fees of Office that a Director May Receive during a Fiscal Year \$6,000

NAME	TERM OF OFFICE (ELECTED OR APPOINTED) OR DATE HIRED	FEES OF OFFICE DECEMBER 31, 2010	EXPENSE REIMBURSEMENTS DECEMBER 31, 2010	TITLE AT YEAR END
<u>BOARD MEMBERS</u>				
Melroy I. Brandt	05/10 - 05/14	\$ 1,560	\$ -	President
Joseph W. Reed	05/08 - 09/2011	990	-	Vice- President/ Treasurer Resigned 09/10
Paul Greenwood	05/10 - 05/14	1,370	-	Secretary
Walton R. Melson	05/10 - 05/14	550	-	Director
E. Ralph Fincke	05/08 - 02/11	110	-	Director Resigned 02/10
Inge R. Geiger	03/10 - 05/12	1,100		Director
Edward F. Chevalier	11/10 - 05/12	220		Director
<u>KEY ADMINISTRATIVE PERSONNEL</u>				
Richard P. Frenzel	1997	56,258	-	General Manager
<u>CONSULTANTS</u>				
Thompson, Williams, Biediger, Kastor & Young, L.C.	1970	8,250	-	Independent Certified Public Accountants
Michael S. Brenan	1981	525	-	District Legal Counsel
Sunbelt Engineering (Donald R. Frazor, P.E.)	1971	8,945	-	District Project Engineer







4801 N.W. LOOP 410, SUITE 725  
SAN ANTONIO, TEXAS 78229-5308  
210/341-2581  
FAX 210/341-2588  
cpas@twbky.com

Thompson,  
Williams,  
Biediger,  
Kastor  
&  
Young,  
L.C.

CERTIFIED PUBLIC ACCOUNTANTS  
MEMBERS AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Bexar County Water Control and  
Improvement District No. 10  
Bexar County, Texas

We have audited the financial statements of Bexar County Water Control and Improvement District No. 10 (the District) as of and for the year ended December 31, 2010, and have issued our report thereon dated April 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, and others within the entity and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountants

April 28, 2011

San Antonio, Texas



4801 N.W. LOOP 410, SUITE 725  
SAN ANTONIO, TEXAS 78229-5508  
210/341-2581  
FAX 210/341-2588  
cpas@twbky.com

Thompson,  
Williams,  
Biediger,  
Kastor  
&  
Young,  
L.C.

CERTIFIED PUBLIC ACCOUNTANTS  
MEMBERS AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

April 28, 2011

To the Board of Directors  
Bexar County Water Control  
and Improvement District No. 10

We have audited the financial statements of Bexar County Water Control and Improvement District No. 10 (the District) for the year ended December 31, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our engagement letter dated January 18, 2011. Professional standards also require that we communicate to you the following information related to our audit.

#### Qualitative Aspects of Accounting Practices

##### *Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements include accumulated depreciation, depreciation expense, and the related estimated useful lives of capital assets. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 28, 2011.

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Bexar County Water Control and Improvement District No. 10 and is not intended to be and should not be used by anyone other than these specified parties.

*Thompson, Williams, Beedger, Potts & Young, L.C.*  
Certified Public Accountants

San Antonio, Texas  
April 28, 2011