

**BEXAR COUNTY WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 10**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED DECEMBER 31, 2013**

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IMPROVEMENT DISTRICT NO. 10**

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ANNUAL FINANCIAL REPORT  
OF THE  
BEXAR COUNTY WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 10  
YEAR ENDED DECEMBER 31, 2013

President

Melroy I. Brandt

Vice-President

Paul F. Greenwood

Treasurer

Edward F. Chevalier

Secretary

Mark J. Perry

Director

Mary Hatch

General Manager

Adam Telfer

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## Independent Auditor's Report

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

### Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

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, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Opinions

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, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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.

### *Texas Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bexar County Water Control and Improvement District No. 10's basic financial statements. The Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bexar County Water Control and Improvement District No. 10's internal control over financial reporting and compliance.

ABIP, PC

Certified Public Accountants

San Antonio, Texas

March 20, 2014

## **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, 2013. The MD&A should be read in conjunction with the accompanying basic financial statements.

The District was recognized by the Texas Commission on Environmental Quality (TCEQ) as the Outstanding Public Drinking Water System of the Year. This award is presented once every two years to two systems out of over 7,000 public drinking water systems in the State. The District was also recognized as a Superior Water Systems by the TCEQ in 2011. The criterion for either award is comprehensive and includes compliance with water quality standards, financial stability, customer service, capacity development and physical plant capabilities. We are proud of the service we provide and proud to receive the recognition from our peers.

### **Financial Highlights**

- The assets of the District exceed its liabilities by \$8,155,743 (net position) for the fiscal year reported. This is an increase of \$321,308 over the previous year's net position balance.
- Total net position are comprised of the following:
  1. Net investment in capital assets in the amount of \$5,909,457 includes all property and equipment owned by the District, net of accumulated depreciation.
  2. Unrestricted net position of \$2,246,286 represents the portion available to fund the District's operations.
- Operating revenues increased by \$222,632, an increase of 12.15% from calendar year 2012. Revenue was higher due to the extended drought the region is experiencing as well as critical period rates were in effect for the majority of the year.
- Operating expenses increased by \$75,398, an increase of 4.50% from calendar year 2012. The bulk of this increase was due to San Antonio Water System increasing the contract fee for wastewater treatment.
- Growth in capital assets was \$1,114,950, including the completion of the 2011/2012 water and sewer main replacement project.

### **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 position and in the statement of revenues, expenses, and changes in net position.

The statement of net position presents all of the District's assets and liabilities, with the difference being reported as net position. Over time, increases or decreases in net position 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 position reports how the District's net position changed during the most recent calendar year. All changes in net position 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 position at calendar year end is \$8,155,743. This is a \$321,308 increase over last year's net position of \$7,834,435. The following table provides a summary of the District's net position at December 31, 2013:

### SUMMARY OF NET POSITION

	BUSINESS-TYPE ACTIVITIES		AMOUNT CHANGE	PERCENT CHANGE
	2013	2012		
Current and Other Assets	\$ 2,378,099	\$ 2,398,891	\$ (20,792)	(0.87)%
Capital Assets	5,909,457	5,628,943	280,514	4.98
Total Assets	<u>8,287,556</u>	<u>8,027,834</u>	<u>259,722</u>	3.24
Current Liabilities	122,905	183,474	(60,570)	(33.01)
Non-Current Liabilities	8,909	9,926	(1,018)	(10.25)
Total Liabilities	<u>131,813</u>	<u>193,400</u>	<u>(61,587)</u>	(31.84)
Net Position:				
Net Investment in Capital Assets	5,909,457	5,628,943	280,514	4.98
Unrestricted	<u>2,246,286</u>	<u>2,205,492</u>	<u>40,794</u>	1.85
TOTAL NET POSITION	<u>\$ 8,155,743</u>	<u>\$ 7,834,435</u>	<u>\$ 321,308</u>	4.10

2013 marks another year in a severe drought that began in 2011. Much of the year was in Stage II watering restrictions and progressively transitioned into Stage III. Despite the ongoing drought water revenue came in as expected for the year. The final tally demonstrates a surplus due to rate restructuring in 2012 by the Board of Directors. In anticipation of a continuing drought the District has fulfilled three objectives. First, to generate revenue for the cost of normal operation in the midst of a severe drought, second, to encourage water conservation by charging premium rates for higher water usage, and third, to gain a surplus in an effort to fund up an account reserved for necessary future projects.

Investment returns for 2013 were not significant. Certificate of Deposit rates remained around a stale 1%. After a drastic consequential drop over the past few years CD rates remain at 1% with little expectation of a rise in the near future. Should the Board of Directors desire to increase returns on investments, the District would have to pursue involvement in other investment strategies. Early in 2013 the District divided a mature CD into two CD's thus extending insurance coverage on all funds involved. Near the end of 2013 two CD's reached maturity. The Board of Directors allowed the two CD's to roll-over due to the minimal risk involved of those CD's reaching full maturity within the next two years.

During the budget process, in the fall of 2013, it became apparent that rate increases were inevitable for the year 2014. As predicted, San Antonio Water System raised sewer rates by 3.8%. It was necessary for the District to raise sewer rates in response to SAWS. The District approved a sewer rate increase of 3.8% as a pass-through. The General Manager and the Board of Directors deemed it only necessary to match SAWS rates due to the funding for maintenance on the collection system being adequate. The Board did find it necessary to raise water rates by 6% to cover the rising costs of maintenance, salary increases, and construction. Additionally the service availability fee was also increased to cover the cost of service. In comparison to SAWS and surrounding water purveyors, Bexar County Water Control and Improvement District #10 has the lowest rates in the region. Throughout 2013 and into 2014 Bexar County WCID #10 continues to provide high quality service at lower cost.

In July of 2013 the District completed the Fenwick alley infrastructure replacement project. A total of 4,300 feet of water line was replaced and 2,000 feet of Sewer mains. The total cost of the project was over \$500,000 not far off of the original budgeted amount. The District has approved another project to begin in spring of 2014. The project will proceed down Midcrown Drive from the alley at Fenwick to Golfcrest. The Scope of the project is to replace four water crossings facing east and west under Midcrown and to Pipe Burst the Sewer line facing north and south on Midcrown. The project completion date is estimated towards the end of summer 2014.

Lastly, perhaps the most significant change has been the retirement of Richard Frenzel and the hiring of Adam Telfer as the General Manager of Bexar County WCID #10. While financially the transition has little effect on the Budget such changes can have a much larger effect on operation. The transition has gone smoothly and the future of Bexar County WCID #10 looks bright.

### SUMMARY OF CHANGES IN NET POSITION

	<u>BUSINESS-TYPE ACTIVITIES</u>		<u>AMOUNT CHANGE</u>	<u>PERCENT CHANGE</u>
	<u>2013</u>	<u>2012</u>		
<u>REVENUES</u>				
Charges for Services	\$ 2,054,729	\$ 1,832,097	\$ 222,632	12.15%
<u>EXPENSES</u>				
Operating Expenses	1,751,499	1,676,101	75,398	4.50
<u>OTHER REVENUES (EXPENSES)</u>				
Investment Income	<u>18,078</u>	<u>17,231</u>	<u>847</u>	4.92
Change in Net Position	321,308	173,227	148,081	85.48
<u>BEGINNING NET POSITION</u>	<u>7,834,435</u>	<u>7,661,208</u>	<u>173,227</u>	2.26
ENDING NET POSITION	<u>\$ 8,155,743</u>	<u>\$ 7,834,435</u>	<u>\$ 321,308</u>	4.10

### Financial Analysis of the District's Operations

For the calendar year ended December 31, 2013, the District has an overall positive fund balance of \$8,155,743. Of this year-end total \$2,246,286 is unrestricted, indicating availability for continuing service requirements. This year's increase in overall fund balance was \$321,308.

### Capital Assets

The District's investment in capital assets, net of accumulated depreciation, as of December 31, 2013 was \$5,909,457. The total increase in this net investment was 4.98%. See Note 3 (on Page 11) for additional information about changes in capital assets during the calendar year.

### CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION

	<u>BUSINESS-TYPE ACTIVITIES</u>		<u>AMOUNT CHANGE</u>	<u>PERCENT CHANGE</u>
	<u>2013</u>	<u>2012</u>		
Non-Depreciable Assets				
Land	\$ 10,776	\$ 10,776	\$ -	0.00%
Water Rights	2,091,790	2,091,790	-	0.00
Construction in Progress	-	132,442	(132,442)	(100.00)
Depreciable Assets				
Gathering and Distribution Systems	3,763,620	3,339,642	423,978	12.70
Equipment	<u>43,271</u>	<u>54,293</u>	<u>(11,022)</u>	(20.30)
TOTALS	<u>\$ 5,909,457</u>	<u>\$ 5,628,943</u>	<u>\$ 280,514</u>	4.98

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

The District is on solid financial ground. It has one goal in mind: to have the necessary resources and reserves available to ensure the District is able to continue providing safe, affordable water. The numbers in this report support that objective, and we've done that without losing sight of the general economic difficulties we currently face; we have some of the lowest, if not the lowest rates in the region.

The one factor we cannot control 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.

One of the long term objectives of this District is to continue rehabilitating and upgrading our water and wastewater infrastructure. We began that effort in 1997 and have had a project under way or in the planning stage continuously since then. In that time, we have spent over \$3 million and plan to continue that process indefinitely by setting at least \$300,000 per year aside. Our rate structure, if systematically maintained will support that objective. In addition to infrastructure upgrades, the District has also been building reserves for refurbishing the District's ground and elevated storage facilities, building its own administrative complex and repairing or replacing a well.

We have confidence in the future because of work performed in the past.

### **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 POSITION - WATER AND WASTEWATER  
PROPRIETARY FUND  
DECEMBER 31, 2013

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 931,912
Investments	1,235,908
Accounts Receivable	153,419
Inventory	24,401
Cash and Cash Equivalents - Restricted Assets	32,459
Total Current Assets	2,378,099

NONCURRENT ASSETS

Capital Assets	
Land	10,776
Water Rights	2,091,790
Gathering and Distribution Systems	8,650,978
Equipment	230,018
Less: Accumulated Depreciation	(5,074,105)
Total Noncurrent Assets	5,909,457

TOTAL ASSETS

\$8,287,556

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$ 67,790
Accrued Compensated Absences	2,970
Accrued Expenses	19,686
Total Current Liabilities	90,446

CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Customer Deposits	32,459
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NON-CURRENT LIABILITIES

Accrued Compensated Absences	8,909
Total Liabilities	131,813

NET POSITION

Net Investment in Capital Assets	5,909,457
Unrestricted	2,246,286
Total Net Position	8,155,743

TOTAL LIABILITIES AND NET POSITION

\$8,287,556

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION - WATER AND WASTEWATER  
PROPRIETARY FUND  
YEAR ENDED DECEMBER 31, 2013

OPERATING REVENUES

Charges for Services	
Water Sales	\$ 697,999
Wastewater Services	1,137,505
Other Fees and Assessments	<u>219,225</u>
Total Operating Revenues	<u>2,054,729</u>

OPERATING EXPENSES

Personnel	374,899
Professional Fees	16,072
Contractual Services	155,758
Wastewater Services	702,249
Repairs and Maintenance	89,735
Utilities	67,943
Other Supplies and Expenses	132,003
Depreciation	<u>212,840</u>
Total Operating Expenses	<u>1,751,499</u>
Operating Income	303,230

NON-OPERATING REVENUES

Interest Income	<u>18,078</u>
Change in Net Position	321,308

NET POSITION - BEGINNING

TOTAL NET POSITION - ENDING

7,834,435  
\$ 8,155,743

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
STATEMENT OF CASH FLOWS - WATER AND WASTEWATER  
PROPRIETARY FUND  
YEAR ENDED DECEMBER 31, 2013

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received from Customers	\$ 2,042,682
Cash Paid for Personnel Services	(384,010)
Cash Paid for Professional Fees	(16,072)
Cash Paid for Contractual Expenses	(155,758)
Cash Paid for Wastewater Contract	(756,158)
Cash Paid for Repairs and Maintenance	(89,735)
Cash Paid for Utilities	(67,943)
Cash Paid for Supplies and Operating Expenses	(123,195)
Net Cash Provided by Operating Activities	<u>449,811</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Purchase of Capital Assets	(493,354)
Purchase of Investments	(10,399)
Net Cash Used in Investing Activities	<u>(503,753)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Income	<u>18,078</u>
Net Increase in Cash and Cash Equivalents	(35,864)
 <u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	
	<u>1,000,235</u>
 <u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	
	<u>\$ 964,371</u>
 <u>RECONCILIATION OF OPERATING INCOME TO NET CASH</u>	
<u>PROVIDED BY OPERATING ACTIVITIES</u>	
Operating Income	\$ 303,230
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities	
Depreciation	212,840
Changes to Assets and Liabilities	
Accounts Receivable	(13,481)
Inventory	8,808
Accounts Payable	(53,909)
Customer Deposits	1,434
Accrued Expenses	(7,755)
Accrued Compensated Absences	(1,356)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 449,811</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bexar County Water Control and Improvement District No. 10 (the 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 49 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, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Investments

The District may invest its excess funds in any instruments authorized by the Public Funds Investment Act of Texas (the Act). 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, 2013, the District invested strictly 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, 2013

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 position 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.

K. Change in Accounting Policy

The District adopted the provisions of GASB #65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The District has no deferred outflows or inflows of resources.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

NOTE 2: DEPOSITS AND INVESTMENTS

As of December 31, 2013, the District had the following investments:

<u>INVESTMENT TYPE</u>	<u>FAIR VALUE</u>	<u>WEIGHTED AVERAGE MATURITY (YEARS)</u>
TexPool Investment Pool	\$ 288,032	-
Certificates of Deposits	<u>947,876</u>	<u>1.38</u>
TOTAL	<u>\$ 1,235,908</u>	
PORTFOLIO WEIGHTED AVERAGE MATURITY		<u>1.38</u>

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, 2013, 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 deposits 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. The District has not experienced any loss in such accounts. At December 31, 2013, the uninsured balance is \$31,961.

During the year, the District's carrying amount of bank balance was \$964,371 and the bank balance was \$975,447.

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.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

NOTE 3: CAPITAL ASSETS

A summary of capital assets at December 31, 2013 is as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>ENDING BALANCE</u>
Capital Assets, not being Depreciated				
Land and Easements	\$ 10,776	\$ -	\$ -	\$ 10,776
Construction in Progress	132,442	489,154	(621,596)	-
Water Rights	<u>2,091,790</u>	<u>-</u>	<u>-</u>	<u>2,091,790</u>
Total Capital Assets, not being Depreciated	<u>2,235,008</u>	<u>489,154</u>	<u>(621,596)</u>	<u>2,102,566</u>
Capital Assets, being Depreciated				
Gathering and Distribution Systems	8,025,182	625,796	-	8,650,978
Equipment	<u>230,018</u>	<u>-</u>	<u>-</u>	<u>230,018</u>
Total Capital Assets, Being Depreciated	<u>8,255,200</u>	<u>625,796</u>	<u>-</u>	<u>8,880,996</u>
Less Accumulated Depreciation for				
Gathering and Distribution Systems	(4,685,540)	(201,818)	-	(4,887,358)
Equipment	<u>(175,725)</u>	<u>(11,022)</u>	<u>-</u>	<u>(186,747)</u>
Total Accumulated Depreciation	<u>(4,861,265)</u>	<u>(212,840)</u>	<u>-</u>	<u>(5,074,105)</u>
Total Capital Assets, being Depreciated - Net	<u>3,393,935</u>	<u>412,956</u>	<u>-</u>	<u>3,806,891</u>
CAPITAL ASSETS - NET	<u>\$ 5,628,943</u>	<u>\$ 902,110</u>	<u>\$ (621,596)</u>	<u>\$ 5,909,457</u>

NOTE 4: EMPLOYEES' RETIREMENT SYSTEM

Plan Description

Bexar County Water Control and Improvement District No. 10 provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The board of trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 624 nontraditional defined benefit pension plans. TCDRS in aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the board of trustees at Post Office Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 (eighty) or more. Members are vested after 10 (ten) years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

NOTE 4: EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Plan Description (Continued)

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the restricting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The District has elected the variable rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer, based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The District contributed using the actuarially determined rate of 7.07% for the 2013 calendar year. The deposit rate payable by all employee members for the 2013 calendar year is the rate of 7%. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available to the TCDRS Act.

Annual Pension Cost

For the employer's accounting year ending December 31, 2013, the annual pension cost for the TCDRS Plan for its employees was \$21,269 and the actual contributions were \$21,269.

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, 2010 and December 31, 2011, the basis for determining the contribution rates for calendar years 2012 and 2013. The December 31, 2012 actuarial valuation is the most recent valuation.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

NOTE 4: EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Actuarial Valuation Information

Actuarial Valuation Date	12/31/10	12/31/11	12/31/12
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	20 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*	5.4	5.4	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, 2010	\$ 18,864	100%	\$ -
December 31, 2011	18,068	100	-
December 31, 2012	21,269	100	-

Schedule of Funding Progress for the Retirement Plan

<u>ACTUARIAL VALUATION DATE</u>	<u>ACTUARIAL VALUE OF ASSETS (a)</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, 2010	\$ 674,606	\$ 734,943	\$ 60,337	91.79%	\$ 276,317	21.84%
December 30, 2011	459,396	537,359	77,963	85.49	282,827	27.57
December 31, 2012	398,096	491,839	93,743	80.94	285,326	32.85

NOTE 5: CONTINGENCIES

The District is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets, error and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. As of December 31, 2013 there was no threatening or pending litigation against the District.

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**TEXAS SUPPLEMENTARY INFORMATION**



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BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
TSI-1. SERVICES AND RATES  
YEAR ENDED DECEMBER 31, 2013

**1. Services Provided by the District during the Fiscal Year:**

<u>X</u>	Retail Water	_____	Wholesale Water	_____	Drainage
<u>X</u>	Retail Wastewater	_____	Wholesale Wastewater	_____	Irrigation
_____	Parks/Recreation	_____	Fire Protection	_____	Security
_____	Solid Waste/Garbage	_____	Flood Control	_____	Roads
_____	Participates in joint venture, regional system, and/or wastewater service (other than emergency interconnect)				
_____	Other _____				

2. **Retail service providers**      Not Applicable

**3. Total Water Consumption during the Fiscal Year (Rounded to the Nearest Thousand)**

Gallons Pumped into System: 312,128,000

Gallons Billed to Customers: 283,072,000

**4. Standby Fees (Authorized Only Under TWC Section 49.231)**

Does the District have debt service standby fees?      Yes \_\_\_\_\_ No X

Does the District have operation and maintenance standby fees?      Yes \_\_\_\_\_ No X

**5. Location of District**

County(ies) in which the District is located: Bexar

Is the District located entirely within one county?      Yes X      No \_\_\_\_\_

Is the District located within a city?      Entirely \_\_\_\_\_      Partly X      Not at all \_\_\_\_\_

City(ies) in which the District is located: Windcrest, San Antonio

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely \_\_\_\_\_      Partly X      Not at all \_\_\_\_\_

ETJs in which the District is located: Windcrest, San Antonio

Are board members appointed by an office outside the District?      Yes \_\_\_\_\_      No X

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
TSI-2. ENTERPRISE FUND EXPENSES  
YEAR ENDED DECEMBER 31, 2013

<u>PERSONNEL EXPENSES (INCLUDING BENEFITS)*</u>	\$ 374,899
<u>PROFESSIONAL FEES</u>	
Auditing	9,150
Legal	6,922
Engineering	-
Financial Advisor	-
Other Professional Fees	-
<u>PURCHASED SERVICES FOR RESALE</u>	
Bulk Water and Wastewater Service Purchases	702,249
<u>CONTRACTED SERVICES</u>	
	155,758
<u>UTILITIES</u>	
	67,943
<u>REPAIRS AND MAINTENANCE</u>	
	89,735
<u>ADMINISTRATIVE EXPENDITURES</u>	
Directors' Fees	-
Office Supplies	5,233
Insurance	51,337
Other Administrative Expenditures	71,224
<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>217,049</u>
TOTAL EXPENSES	<u>\$ 1,751,499</u>

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

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
TSI-3. TEMPORARY INVESTMENTS  
YEAR ENDED DECEMBER 31, 2013

	<u>IDENTIFICATION OR CERTIFICATE NUMBER</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BALANCE AT END OF YEAR</u>	<u>ACCRUED INTEREST RECEIVABLE AT END OF YEAR</u>
TexPool	151600001	0.10%	N/A	\$ 288,032	\$ -
Fellowship Federal Credit Union - Certificate of Deposit	7003-312	1.19	01/11/2015	50,000	-
Fellowship Federal Credit Union - Certificate of Deposit	7003-313	1.19	01/17/2015	50,000	-
Security Service Federal Credit Union - Certificate of Deposit	4556807080	1.24	12/01/2016	112,736	-
Security Service Federal Credit Union - Certificate of Deposit	4556807081	2.37	02/03/2017	100,000	-
Security Service Federal Credit Union - Certificate of Deposit	4556807082	2.23	2/20/2018	50,933	-
San Antonio Federal Credit Union - Certificate of Deposit	17256942-0011	1.29	06/29/2014	101,955	-
San Antonio Federal Credit Union - Certificate of Deposit	17256942-0010	2.96	12/01/2015	115,534	-
San Antonio Federal Credit Union - Certificate of Deposit	17256942-0012	1.88	2/20/2018	50,786	-
Randolph Brooks Federal Credit Union - Certificate of Deposit	581851	1.80	12/12/2014	103,607	-
Firstmark Credit Union- Certificate of Deposit	604820-45	1.19	12/6/2015	108,841	-
Firstmark Credit Union- Certificate of Deposit	604820-46	0.90	8/15/2015	<u>103,484</u>	<u>-</u>
TOTALS				<u>\$ 1,235,908</u>	<u>\$ -</u>

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

	2013	2012	AMOUNT 2011
<u>OPERATING REVENUES</u>			
Water Sales	\$ 697,999	\$ 661,124	\$ 739,275
Wastewater Service Charges	1,137,505	956,972	927,114
Tap Connections and Other Revenue	<u>219,225</u>	<u>214,001</u>	<u>187,403</u>
Total Operating Revenues	<u>2,054,729</u>	<u>1,832,097</u>	<u>1,853,792</u>
<u>OPERATING EXPENSES</u>			
Personnel Services	374,899	337,907	337,316
Professional Fees	16,072	59,690	12,938
Contractual Services	155,758	158,916	85,520
Wastewater Services	702,249	591,037	578,450
Repairs and Maintenance	89,735	118,573	125,307
Utilities	67,943	65,281	75,082
Other Supplies and Expenses	132,003	110,728	86,115
Depreciation	<u>212,840</u>	<u>233,969</u>	<u>244,759</u>
Total Operating Expenses	<u>1,751,499</u>	<u>1,676,101</u>	<u>1,545,487</u>
Operating Income	<u>303,230</u>	<u>155,996</u>	<u>308,305</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest Income	18,078	17,231	14,484
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>18,078</u>	<u>17,231</u>	<u>14,484</u>
NET INCOME	<u>\$ 321,308</u>	<u>\$ 173,227</u>	<u>\$ 322,789</u>
Average Annual Unpaid Bond Principal and Interest	\$ -	\$ -	\$ -
Net Income before Interest Expense and Fiscal Fees	321,308	173,227	322,789
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	2451	2,463	2,456
Number of Sewer Customers at End of Year	2392	2,405	2,396
Total Amount of Water Billed to Customers (in 1,000 of Gallons)	283,072	295,042	368,651

(See Auditor's Report)

PERCENT OF FUND TOTAL REVENUES

2010	2009	2013	2012	2011	2010	2009
\$ 585,505	\$ 600,214	33.97%	36.09%	39.88%	37.78%	35.19%
781,955	915,029	55.36	52.23	50.01	50.45	53.65
182,454	190,204	10.67	11.68	10.11	11.77	11.15
<u>1,549,914</u>	<u>1,705,447</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
328,401	334,348	18.25	18.44	18.20	21.19	19.60
8,775	8,489	0.78	3.26	0.70	0.57	0.50
85,838	90,016	7.58	8.67	4.61	5.54	5.28
516,706	624,296	34.18	32.26	31.20	33.34	36.61
69,561	104,074	4.37	6.47	6.76	4.72	6.10
59,794	60,947	3.31	3.56	4.05	3.86	3.57
85,323	81,543	6.42	6.04	4.65	5.78	13.08
234,772	244,654	10.36	12.77	13.20	15.15	14.35
<u>1,389,170</u>	<u>1,548,467</u>	<u>85.24</u>	<u>91.47</u>	<u>83.37</u>	<u>90.14</u>	<u>90.80</u>
160,744	156,980	14.76	8.51	16.63	9.86	9.20
16,681	29,321	0.88	0.94	0.78	1.08	1.72
22,665	-	-	-	-	1.46	-
39,346	29,321	0.88	0.94	0.78	2.54	1.72
<u>\$ 200,090</u>	<u>\$ 186,301</u>	<u>15.64%</u>	<u>9.45%</u>	<u>17.41%</u>	<u>12.40%</u>	<u>10.92%</u>
\$ -	\$ -					
200,090	186,301					
N/A	N/A					
2,457	2,434					
2,398	2,376					
319,728	355,093					

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS  
YEAR ENDED DECEMBER 31, 2013

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

<u>NAME</u>	<u>TERM OF OFFICE (ELECTED OR APPOINTED) OR DATE HIRED</u>	<u>FEES OF OFFICE DECEMBER 31, 2013</u>	<u>EXPENSE REIMBURSEMENTS DECEMBER 31, 2013</u>	<u>TITLE AT YEAR END</u>
<u>BOARD MEMBERS</u>				
Melroy I. Brandt	05/10 - 05/14	\$ 1,560	\$ -	President
Paul Greenwood	05/10 - 05/14	1,440	-	Vice-President
Mark J. Perry	05/12 - 05/16	1,440	-	Secretary
Edward F. Chevalier	05/12 - 05/16	1,440	-	Treasurer
Walton R. Melson	05/10 - 05/13	770	-	Director
Mary Hatch	09/13 - 05/14	330	-	Director
<u>KEY ADMINISTRATIVE PERSONNEL</u>				
Richard P. Frenzel	3/97 - 9/13	63,070	-	General Manager
Adam Telfer	9/13 - Present	31,295	-	
<u>CONSULTANTS</u>				
ABIP, P.C.	1970	9,150	-	Independent Certified Public Accountants
Robert Wilson, III	2011	6,922	-	District Legal Counsel
Sunbelt Engineering (Donald R. Frazor, P.E.)*	1971	16,081	-	District Project Engineer

\*Current year engineering fees paid are included in current year capital asset additions.





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INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of Bexar County Water Control and Improvement District No. 10 (the District) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ABIP, PC

Certified Public Accountants

San Antonio, Texas

March 20, 2014