

BEXAR COUNTY WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 10

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2014

ANNUAL FINANCIAL REPORT  
OF THE  
BEXAR COUNTY WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 10  
YEAR ENDED DECEMBER 31, 2014

President

Mark Perry

Vice-President

John Fagan

Treasurer

Edward F. Chevalier

Secretary

Eugenia Snead

Director

Sue Alexander

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, 2014, 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 District'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 statements.

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, 2014, 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 19, 2015, 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 19, 2015

## **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, 2014. 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 in 2012. 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 \$8,389,354 (net position) for the fiscal year reported. This is an increase of \$233,611 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 \$6,598,419 includes all property and equipment owned by the District, net of accumulated depreciation.
  2. Unrestricted net position of \$1,820,935 represents the portion available to fund the District's operations.
- Operating revenues increased by \$17,434, an increase of 0.84% from calendar year 2013. 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 \$103,377, an increase of 5.90% from calendar year 2013. The bulk of this increase was due to professional fees and personnel costs incurred by the District.
- Growth in capital assets was \$878,446, including the purchase of land, construction in progress of the 2013/2014 water and sewer replacement project, as well as, the purchase of a new vehicle during the fiscal year.

### **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 \$8,389,354. This is a \$233,611 increase over last year's net position of \$8,155,743. The following table provides a summary of the District's net position at December 31, 2014:

### SUMMARY OF NET POSITION

	BUSINESS-TYPE ACTIVITIES		AMOUNT CHANGE	PERCENT CHANGE
	2014	2013		
Current and Other Assets	\$ 1,994,913	\$ 2,378,099	\$ (383,186)	(16.11)%
Capital Assets	<u>6,568,419</u>	<u>5,909,457</u>	<u>658,962</u>	11.15
Total Assets	<u>8,563,332</u>	<u>8,287,556</u>	<u>275,776</u>	3.33
Current Liabilities	162,949	122,905	40,044	32.58
Non-Current Liabilities	<u>11,030</u>	<u>8,909</u>	<u>2,121</u>	23.81
Total Liabilities	<u>173,978</u>	<u>131,813</u>	<u>42,165</u>	31.99
Net Position:				
Net Investment in Capital Assets	6,568,419	5,909,457	658,962	11.15
Unrestricted	<u>1,820,935</u>	<u>2,246,286</u>	<u>(425,351)</u>	(18.94)
TOTAL NET POSITION	<u>\$ 8,389,354</u>	<u>\$ 8,155,743</u>	<u>\$ 233,611</u>	2.86

Two thousand and fourteen marks the fourth year of a drought that began in 2011. Although the region had near average rainfall in 2014, it was concentrated in a few heavy events followed by long dry spells. Recharge to the Edwards Aquifer and runoff into the area's rivers, lakes and streams was minimal, at best. The Aquifer fell to Stage IV levels before recovering slightly to end the year in Stage III.

Despite the drought, revenue met expectations which points to the fact that the District's rate structure will ensure that its financial objectives are achieved. With only modest rate increases the District will be able to meet its objectives of creating enough revenue to ensure day-to-day operations are adequately funded, charge premium rates high enough to discourage waste, and generate enough revenue to meet its long term strategic objectives.

While on the subject of rates, it should be noted that annual rate increases, while unpopular, should be recognized as a necessary evil. The cost of providing service is on the rise on all fronts. Personnel cost grow with seniority of its staff (cost of living, longevity, promotions, insurance, etc), equipment cost (purchase and maintenance) go up, regulatory expenses creep up, utility costs go up because of their increased cost of doing business. The list is endless. In some areas such as fuel and metals, the changes can be explosive. Failing to systematically pursue rate increases usually results in financial uncertainty for the entity with the result it has to impose a large, and consequently very unpopular, rate increase. Or succumb to rate payer pressure to reduce the increase, thereby worsening the financial problem. It has been and remains this District's policy to pass along rate increases as expenses rise. However, not all is doom and gloom; the customers of this District still enjoy the lowest rates in the region and are only about one-half what its nearest competitor, the San Antonio Water System, charges.

Investment returns in 2014 were discouraging, to say the least. The weighted return was a low 1.34% on the District's \$1.25 million invested in certificates of deposit. The only redeeming factor was that inflation was also at a low 1.6% for the year and headed down at year end. The Board considered moving some of its cash into other types of investments, but felt the risk and similarly low rates of return did not warrant the effort or expense. The District's options are limited by the State's public investment rules.

In 2014, the Board approved an infrastructure project to rehabilitate 4,325 feet of water mains and 5,326 feet of sewer mains in the central area of the District. The project included replacing 160 water and sewer connection, numerous fire hydrants and valves and included four street crossings. Essentially all infrastructure replacement was completed by the end of the year and only cleanup and demobilization remained. While all bills were not paid at the end of the year, the cost of the project will be nearly \$800,000 when completed. For that expenditure, those lucky residents are connected to infrastructure that will last through the lifetime of their grandchildren. Future plans call for more of the same, but probably not until 2016.



### SUMMARY OF CHANGES IN NET POSITION

	<u>BUSINESS-TYPE ACTIVITIES</u>		<u>AMOUNT CHANGE</u>	<u>PERCENT CHANGE</u>
	<u>2014</u>	<u>2013</u>		
<u>REVENUES</u>				
Charges for Services	\$ 2,072,163	\$ 2,054,729	\$ 17,434	0.84%
<u>EXPENSES</u>				
Operating Expenses	1,854,876	1,751,499	103,377	5.90
<u>OTHER REVENUES (EXPENSES)</u>				
Investment Income	<u>16,324</u>	<u>18,078</u>	<u>(1,754)</u>	(9.70)
Change in Net Position	233,611	321,308	(87,697)	(27.29)
<u>BEGINNING NET POSITION</u>	<u>8,155,743</u>	<u>7,834,435</u>	<u>321,308</u>	4.10
ENDING NET POSITION	<u>\$ 8,389,354</u>	<u>\$ 8,155,743</u>	<u>\$ 233,611</u>	2.86

### Financial Analysis of the District's Operations

For the calendar year ended December 31, 2014, the District has an overall positive fund balance of \$8,389,354. Of this year-end total \$1,820,935 is unrestricted, indicating availability for continuing service requirements. This year's increase in overall net position was \$233,611.

### Capital Assets

The District's investment in capital assets, net of accumulated depreciation, as of December 31, 2014 was \$6,568,419. The total increase in this net investment was 11.15%. 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>2014</u>	<u>2013</u>		
Non-Depreciable Assets				
Land	\$ 227,565	\$ 10,776	\$ 216,789	2,011.78%
Water Rights	2,091,790	2,091,790	-	0.00
Construction in Progress	619,874	-	619,874	0.00
Depreciable Assets (Net)				
Gathering and Distribution Systems	3,558,229	3,763,620	(205,391)	(5.46)
Equipment	<u>70,961</u>	<u>43,271</u>	<u>27,690</u>	63.99
TOTALS	<u>\$ 6,568,419</u>	<u>\$ 5,909,457</u>	<u>\$ 658,962</u>	11.15

## **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 \$5.47 million on system upgrades and acquisitions. In 2013/2014 alone, we spent \$1.32 million on capital additions and improvements. Our Capital Improvement Plan calls for us to continue dedicating at least \$300,000 per year to those efforts. 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.

Starting in 2011, the Mayor and City Council of City of Windcrest began a sustained drive to abolish the District and take over its assets and operations. The District has spent in excess of \$200,000 on legal fees directly or indirectly related to the City's actions. The drain on the budget has resulted in a significant adverse effect on the District's Capital Improvement Plan since all "profit" is destined to fund capital improvements, equipment purchases and infrastructure improvements. The District may be forced to consider a significant rate increase in 2016 to offset the loss of income resulting from the City's action.

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, 2014

ASSETS

<u>CURRENT ASSETS</u>		\$ 543,000
Cash and Cash Equivalents		1,246,602
Investments		151,440
Accounts Receivable		23,034
Inventory		30,837
Cash and Cash Equivalents - Restricted Assets		<u>1,994,913</u>
Total Current Assets		
 <u>NONCURRENT ASSETS</u>		
Capital Assets		227,565
Land		2,091,790
Water Rights		619,874
Construction in Progress		8,650,978
Gathering and Distribution Systems		271,801
Equipment		<u>(5,293,589)</u>
Less: Accumulated Depreciation		<u>6,568,419</u>
Total Noncurrent Assets		
		 <u>\$ 8,563,332</u>
 TOTAL ASSETS		

LIABILITIES AND NET POSITION

<u>CURRENT LIABILITIES</u>		\$ 62,991
Accounts Payable		3,677
Accrued Compensated Absences		65,444
Accrued Expenses		<u>132,112</u>
Total Current Liabilities		
 <u>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</u>		
Customer Deposits		<u>30,837</u>
 <u>NON-CURRENT LIABILITIES</u>		
Accrued Compensated Absences		<u>11,030</u>
Total Liabilities		<u>173,978</u>
 <u>NET POSITION</u>		
Net Investment in Capital Assets		6,568,419
Unrestricted		<u>1,820,935</u>
Total Net Position		<u>8,389,354</u>
		 <u>\$ 8,563,332</u>
 TOTAL LIABILITIES AND NET POSITION		

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

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, 2014

OPERATING REVENUES

Charges for Services	
Water Sales	\$ 725,934
Wastewater Services	1,150,056
Other Fees and Assessments	<u>196,173</u>
Total Operating Revenues	<u>2,072,163</u>

OPERATING EXPENSES

Personnel	385,215
Professional Fees	107,325
Contractual Services	132,279
Wastewater Services	702,681
Repairs and Maintenance	98,073
Utilities	76,730
Other Supplies and Expenses	133,089
Depreciation	<u>219,484</u>
Total Operating Expenses	<u>1,854,876</u>
Operating Income	217,287

NON-OPERATING REVENUES

Interest Income	<u>16,324</u>
Change in Net Position	233,611

NET POSITION - BEGINNING

	<u>8,155,743</u>
TOTAL NET POSITION - ENDING	<u>\$ 8,389,354</u>

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
STATEMENT OF CASH FLOWS - WATER AND WASTEWATER  
PROPRIETARY FUND  
YEAR ENDED DECEMBER 31, 2014

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		\$ 2,072,522
Cash Received from Customers		(336,629)
Cash Paid for Personnel Services		(107,325)
Cash Paid for Professional Fees		(132,279)
Cash Paid for Contractual Expenses		(707,481)
Cash Paid for Wastewater Contract		(98,074)
Cash Paid for Repairs and Maintenance		(76,730)
Cash Paid for Utilities		(131,722)
Cash Paid for Supplies and Operating Expenses		<u>482,282</u>
Net Cash Provided by Operating Activities		
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		(878,446)
Purchase of Capital Assets		(10,694)
Purchase of Investments		<u>(889,140)</u>
Net Cash Used in Investing Activities		
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		<u>16,324</u>
Interest Income		
Net Increase (Decrease) in Cash and Cash Equivalents		(390,534)
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>		<u>964,371</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>		<u>\$ 573,837</u>
Cash		\$ 543,000
Cash Restricted		<u>30,837</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>		<u>\$ 573,837</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		\$ 217,287
Operating Income		
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		219,484
Depreciation		
Changes to Assets and Liabilities		1,979
Accounts Receivable		1,368
Inventory		(4,800)
Accounts Payable		(1,622)
Customer Deposits		45,758
Accrued Expenses		2,828
Accrued Compensated Absences		<u>482,282</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>\$ 482,282</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, 2014

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, 2014

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, 2014, 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.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets (Continued)

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.

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 Net Position

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.



BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2014

NOTE 2: DEPOSITS AND INVESTMENTS

As of December 31, 2014, the District had the following investments:

<u>INVESTMENT TYPE</u>	<u>FAIR VALUE</u>	<u>WEIGHTED AVERAGE MATURITY (YEARS)</u>
TexPool Investment Pool	\$ 288,121	-
Certificates of Deposits	<u>958,481</u>	<u>1.34</u>
TOTAL	<u>\$ 1,246,602</u>	
PORTFOLIO WEIGHTED AVERAGE MATURITY		<u>1.34</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, 2014, 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

During the year, the District's carrying amount of bank balance was \$573,837 and the bank balance was \$598,632.

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, 2014

NOTE 3: CAPITAL ASSETS

A summary of capital assets at December 31, 2014 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	\$ 216,789	\$ -	\$ 227,565
Construction in Progress	-	619,874	-	619,874
Water Rights	<u>2,091,790</u>	<u>-</u>	<u>-</u>	<u>2,091,790</u>
Total Capital Assets, not being Depreciated	<u>2,102,566</u>	<u>836,663</u>	<u>-</u>	<u>2,939,229</u>
Capital Assets, being Depreciated				
Gathering and Distribution Systems	8,650,978	-	-	8,650,978
Equipment	<u>230,018</u>	<u>41,783</u>	<u>-</u>	<u>271,801</u>
Total Capital Assets, Being Depreciated	<u>8,880,996</u>	<u>41,783</u>	<u>-</u>	<u>8,922,779</u>
Less Accumulated Depreciation for				
Gathering and Distribution Systems	(4,887,358)	(205,391)	-	(5,092,749)
Equipment	<u>(186,747)</u>	<u>(14,093)</u>	<u>-</u>	<u>(200,840)</u>
Total Accumulated Depreciation	<u>(5,074,105)</u>	<u>(219,484)</u>	<u>-</u>	<u>(5,293,589)</u>
Total Capital Assets, being Depreciated - Net	<u>3,806,891</u>	<u>(177,701)</u>	<u>-</u>	<u>3,629,190</u>
CAPITAL ASSETS - NET	<u>\$ 5,909,457</u>	<u>\$ 658,962</u>	<u>\$ -</u>	<u>\$ 6,568,419</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 TCERS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 656 nontraditional defined benefit pension plans. TCERS 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 TCERS (TCERS 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, 2014

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 7.81% for the 2014 calendar year. The deposit rate payable by all employee members for the 2014 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, 2014, the annual pension cost for the TCDRS Plan for its employees was \$22,124 and the actual contributions were \$22,124.

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, 2011 and December 31, 2012, the basis for determining the contribution rates for calendar years 2013 and 2014. The December 31, 2013 actuarial valuation is the most recent valuation.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2014

NOTE 4: EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Actuarial Valuation Information

Actuarial Valuation Date	12/31/2011	12/31/2012	12/31/2013
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	5 Year Smoothed Value
Actual Assumptions:			
Investment Return*	8.0%	8.0%	8.0%
Projected Salary Increase*	5.4	5.4	4.9
Inflation	3.5	3.5	3.0
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, 2011	\$ 18,069	100%	\$ -
December 31, 2012	21,268	100	-
December 31, 2013	22,124	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 30, 2011	\$ 459,396	\$ 537,359	\$ 77,963	85.49	\$ 282,827	27.57%
December 31, 2012	398,096	494,492	96,396	80.94	285,326	33.78
December 31, 2013	455,995	558,304	102,309	81.68	297,088	34.44

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2014

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, 2014 there was no threatening or pending litigation against the District.

**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, 2014

**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:  322,590,000

Gallons Billed to Customers:  290,638,000

**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, 2014

<u>PERSONNEL EXPENSES (INCLUDING BENEFITS)*</u>	\$ 385,215
 <u>PROFESSIONAL FEES</u>	
Auditing	9,600
Legal	83,260
Engineering	14,465
Financial Advisor	-
Other Professional Fees	-
 <u>PURCHASED SERVICES FOR RESALE</u>	
Bulk Water and Wastewater Service Purchases	702,681
 <u>CONTRACTED SERVICES</u>	
	132,279
 <u>UTILITIES</u>	
	76,730
 <u>REPAIRS AND MAINTENANCE</u>	
	98,073
 <u>ADMINISTRATIVE EXPENDITURES</u>	
Directors' Fees	-
Office Supplies	4,608
Insurance	47,238
Other Administrative Expenditures	80,347
 <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>	
	220,380
TOTAL EXPENSES	\$ 1,854,876

\*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, 2014

	<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	1516-1111-000	0.10%	N/A	\$ 288,121	\$ -
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	-
Fellowship Federal Credit Union-Certificate of Deposit	7003-314	1.00	7/28/2016	50,487	-
Security Service Federal Credit Union - Certificate of Deposit	45556807080	1.24	12/01/2016	114,141	-
Security Service Federal Credit Union - Certificate of Deposit	45556807081	2.37	02/03/2017	100,000	-
San Antonio Federal Credit Union - Certificate of Deposit	17256942-0010	2.96	12/01/2015	119,001	-
San Antonio Federal Credit Union - Certificate of Deposit	17256942-0012	1.88	2/20/2018	51,749	-
Randolph Brooks Federal Credit Union - Certificate of Deposit	581851	1.42	12/12/2014	105,626	-
Randolph Brooks Federal Credit Union - Certificate of Deposit	675564	1.01	7/20/2016	103,079	-
Firstmark Credit Union- Certificate of Deposit	604820-46	1.04	12/16/2015	109,979	-
Firstmark Credit Union- Certificate of Deposit	604820-45	0.90	8/15/2015	<u>104,419</u>	<u>-</u>
TOTALS				<u>\$ 1,246,602</u>	<u>\$ -</u>

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

	2014	2013	AMOUNT 2012
<u>OPERATING REVENUES</u>			
Water Sales	\$ 725,934	\$ 697,999	\$ 661,124
Wastewater Service Charges	1,150,056	1,137,505	956,972
Tap Connections and Other Revenue	<u>196,173</u>	<u>219,225</u>	<u>214,001</u>
Total Operating Revenues	<u>2,072,163</u>	<u>2,054,729</u>	<u>1,832,097</u>
<u>OPERATING EXPENSES</u>			
Personnel Services	385,215	374,899	337,907
Professional Fees	107,325	16,072	59,690
Contractual Services	132,279	155,758	158,916
Wastewater Services	702,681	702,249	591,037
Repairs and Maintenance	98,073	89,735	118,573
Utilities	76,730	67,943	65,281
Other Supplies and Expenses	133,089	132,003	110,728
Depreciation	<u>219,484</u>	<u>212,840</u>	<u>233,969</u>
Total Operating Expenses	<u>1,854,876</u>	<u>1,751,499</u>	<u>1,676,101</u>
Operating Income	<u>217,287</u>	<u>303,230</u>	<u>155,996</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest Income	16,324	18,078	17,231
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>16,324</u>	<u>18,078</u>	<u>17,231</u>
NET INCOME	<u>\$ 233,611</u>	<u>\$ 321,308</u>	<u>\$ 173,227</u>
Average Annual Unpaid Bond Principal and Interest	\$ -	\$ -	\$ -
Net Income before Interest Expense and Fiscal Fees	233,611	321,308	173,227
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	2,459	2,451	2,463
Number of Sewer Customers at End of Year	2,409	2,392	2,405
Total Amount of Water Billed to Customers (in 1,000 of Gallons)	290,638	283,072	295,042

(See Auditor's Report)

PERCENT OF FUND TOTAL REVENUES

<u>2011</u>	<u>2010</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 739,275	\$ 585,505	35.03%	33.97%	36.09%	39.88%	37.78%
927,114	781,955	55.50	55.36	52.23	50.01	50.45
<u>187,403</u>	<u>182,454</u>	<u>9.47</u>	<u>10.67</u>	<u>11.68</u>	<u>10.11</u>	<u>11.77</u>
<u>1,853,792</u>	<u>1,549,914</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
337,316	328,401	18.59	18.25	18.44	18.20	21.19
12,938	8,775	5.18	0.78	3.26	0.70	0.57
85,520	85,838	6.38	7.58	8.67	4.61	5.54
578,450	516,706	33.91	34.18	32.26	31.20	33.34
125,307	69,561	4.73	4.37	6.47	6.76	4.72
75,082	59,794	3.70	3.31	3.56	4.05	3.86
86,115	85,323	6.42	6.42	6.04	4.65	5.78
<u>244,759</u>	<u>234,772</u>	<u>10.59</u>	<u>10.36</u>	<u>12.77</u>	<u>13.20</u>	<u>15.15</u>
<u>1,545,487</u>	<u>1,389,170</u>	<u>89.51</u>	<u>85.24</u>	<u>91.47</u>	<u>83.37</u>	<u>90.14</u>
<u>308,305</u>	<u>160,744</u>	<u>10.49</u>	<u>14.76</u>	<u>8.51</u>	<u>16.63</u>	<u>9.86</u>
14,484	16,681	0.79	0.88	0.94	0.78	1.08
-	22,665	-	-	-	-	1.46
<u>14,484</u>	<u>39,346</u>	<u>0.79</u>	<u>0.88</u>	<u>0.94</u>	<u>0.78</u>	<u>2.54</u>
<u>\$ 322,789</u>	<u>\$ 200,090</u>	<u>11.27%</u>	<u>15.64%</u>	<u>9.45%</u>	<u>17.41%</u>	<u>12.40%</u>
\$ -	\$ -					
322,789	200,090					
N/A	N/A					
2,456	2,457					
2,396	2,398					
368,651	319,728					

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS  
YEAR ENDED DECEMBER 31, 2014

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>FEEES OF OFFICE DECEMBER 31, 2014</u>	<u>EXPENSE REIMBURSEMENTS DECEMBER 31, 2014</u>	<u>TITLE AT YEAR END</u>
<u>BOARD MEMBERS</u>				
Mark J. Perry	05/12 - 11/16	\$ 1,450	\$ -	President
John Fagin	11/14 - 11/18	230	-	Vice-President
Eugenia Snead	11/14 - 11/18	230	-	Secretary
Edward F. Chevalier	05/12 - 11/16	1,440	-	Treasurer
Sue Alexander	11/14 - 11/18	220	-	Director
Mary Hatch	09/13 - 05/14	1,210	-	
Paul Greenwood	05/10 - 11/14	1,320	-	
Melroy I. Brandt	05/10 - 11/14	1,430	-	
<u>KEY ADMINISTRATIVE PERSONNEL</u>				
Adam Telfer	9/13 - Present	68,274		General Manager
<u>CONSULTANTS</u>				
ABIP, P.C.	1970	9,600	-	Independent Certified Public Accountants
Robert Wilson, III	2011	54,213	-	District Legal Counsel
Langley & Banack	2014	24,047	-	Attorney
Sunbelt Engineering (Donald R. Frazor, P.E.)*	1971	91,994	-	District Project Engineer

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

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10  
N1. ANNUAL FILING AFFIDAVIT  
DECEMBER 31, 2014

THE STATE OF TEXAS                    §  
COUNTY OF BEXAR                    §

I, Daniel J. Reese of the BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10 hereby swear, or affirm that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 19<sup>th</sup> day of March, 2015 its annual audit report for the fiscal year or period ended December 31, 2014, and that copies of the annual audit report have been filed in the district office, located at San Antonio, Bexar County, Texas.


The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Water Code.

Date: March 19, 2015

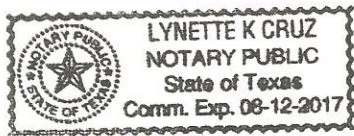
  
\_\_\_\_\_

Daniel J. Reese  
\_\_\_\_\_

Sworn to and subscribed to before me this 19<sup>th</sup> day of March, 2015

  
\_\_\_\_\_

(Signature of Notary)



Lynette K. Cruz  
\_\_\_\_\_

(Printed Name of Notary)

My Commission Expires on: \_\_\_\_\_  
Notary Public in and for the State of Texas.

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**ABIP**  
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

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 (District) as of and for the year ended December 31, 2014, 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 19, 2015.

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 19, 2015