

BEXAR COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 10

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2015



ABIP
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

ANNUAL FINANCIAL REPORT
OF THE
BEXAR COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 10
YEAR ENDED DECEMBER 31, 2015

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Dan Reese

Vice-President

John Fagin

Treasurer

Ronnie Merriman

Secretary

Eugenia Snead

Director

Sue Alexander

General Manager

David Wallace

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Independent Auditor's Report

Board of Directors
Bexar County Water Control and
Improvement District No. 10
Windcrest, 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, 2015, 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, 2015, 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1.K to the financial statements, in 2015, Bexar County Water Control and Improvement District No. 10 adopted new accounting guidance, GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27.*" Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and TCDRS pension schedules on pages 4 through 4D and 19 through 21 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 April 21, 2016, 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

April 21, 2016

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, 2015. 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 \$8,420,645 (net position) for the fiscal year reported. This is an increase of \$27,796 before the restatement of beginning net position, in comparison to the prior year.
- Governmental Accounting Standards Board Statement (GASB) No. 68 "*Accounting and Financial Reporting for Pensions* - an Amendment of GASB Statement No. 27," went into effect for the 2015 fiscal year. The major effects of the implementation are as follows:
 1. An increase of net position of \$3,495 as a prior period restatement, reflecting the effect of the new standard to the District's December 31, 2015 net position;
 2. An increase to noncurrent liabilities of \$12,062 to record the net pension liability;
 3. An increase to deferred outflows of resources of \$34,025;
 4. A decrease to pension expense of \$18,468.
- Total net position is comprised of the following:
 1. Net investment in capital assets in the amount of \$6,512,148 includes all property and equipment owned by the District, net of accumulated depreciation.
 2. Unrestricted net position of \$1,908,497 represents the portion available to fund the District's operations.
- Operating revenues decreased by \$34,282, a decrease of (1.65%) from calendar year 2014. Revenue was lower due to the extended drought the region is experiencing as well as critical period rates discouraging customers to use high volumes.
- Operating expenses increased by \$170,310, an increase of 9.18% from calendar year 2014. The bulk of this increase was due to professional fees and personnel costs incurred by the District.

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 \$8,420,645. This is a \$31,291 increase over last year's net position of \$8,389,354. The following table provides a summary of the District's net position at December 31, 2015:

SUMMARY OF NET POSITION

	BUSINESS-TYPE ACTIVITIES		AMOUNT CHANGE	PERCENT CHANGE
	2015	2014		
Current and Other Assets	\$ 2,051,537	\$ 1,994,913	\$ 56,624	2.84%
Capital Assets	<u>6,512,148</u>	<u>6,568,419</u>	<u>(56,271)</u>	(0.86)
Total Assets	<u>8,563,685</u>	<u>8,563,332</u>	<u>353</u>	0.00
Deferred Outflows of Resources	<u>34,025</u>	<u>-</u>	<u>34,025</u>	0.00
Current Liabilities	156,326	162,949	(6,624)	(4.06)
Non-Current Liabilities	<u>20,740</u>	<u>11,030</u>	<u>9,710</u>	88.03
Total Liabilities	<u>177,065</u>	<u>173,979</u>	<u>3,086</u>	1.77
Net Position:				
Net Investment in Capital Assets	6,512,148	6,568,419	(56,271)	(0.86)
Unrestricted	<u>1,908,497</u>	<u>1,820,935</u>	<u>87,562</u>	4.81
TOTAL NET POSITION	<u>\$ 8,420,645</u>	<u>\$ 8,389,354</u>	<u>\$ 31,291</u>	0.37

2015 marks the fifth year of a drought that began in 2011. Although the region had near average rainfall in 2015, 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 II levels before recovering to normal levels for one (1) month.

Despite the rain for the first part of the year, 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 adjustments 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 adjustments, while unpopular, should be recognized as a necessary evil. The cost of providing service is on the rise on all fronts. Personnel costs grow with seniority of 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. The Edwards Aquifer Authority (EAA) Fees were adjusted to meet requirements.

Investment returns in 2015 were discouraging, to say the least. The weighted return was a low 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 District's options are limited by the State's public investment rules.

In 2015, 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>2015</u>	<u>2014</u>		
<u>REVENUES</u>				
Charges for Services	\$ 2,037,881	\$ 2,072,163	\$ (34,282)	(1.65)%
<u>EXPENSES</u>				
Operating Expenses	2,025,186	1,854,876	170,310	9.18
<u>OTHER REVENUES (EXPENSES)</u>				
Investment Income	<u>15,101</u>	<u>16,324</u>	<u>(1,223)</u>	(7.49)
Change in Net Position	27,796	233,611	(205,815)	(88.10)
<u>BEGINNING NET POSITION</u>	<u>8,389,354</u>	<u>8,155,743</u>	<u>233,611</u>	2.86
RESTATEMENT OF NET POSITION	<u>3,495</u>	-	<u>3,495</u>	0.00
<u>BEGINNING NET POSITION, AS RESTATED</u>	<u>8,392,849</u>	<u>8,155,743</u>	<u>237,106</u>	2.91
ENDING NET POSITION	<u>\$ 8,420,645</u>	<u>\$ 8,389,354</u>	<u>\$ 31,291</u>	0.37

Financial Analysis of the District's Operations

For the calendar year ended December 31, 2015, the District has an overall positive fund balance of \$8,420,645. Of this year-end total \$1,908,497 is unrestricted, indicating availability for continuing service requirements. This year's increase in overall net position was \$31,291.

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, as of December 31, 2015 was \$6,512,148. The total decrease in this net investment was 0.86%. See Note 3 (on Page 12) 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>2015</u>	<u>2014</u>		
<u>Non-Depreciable Assets</u>				
Land	\$ 227,565	\$ 227,565	\$ -	0.00%
Water Rights	2,091,790	2,091,790	-	0.00
Construction in Progress	-	619,874	(619,874)	(100.00)
<u>Depreciable Assets (Net)</u>				
Gathering and Distribution Systems	4,148,147	3,558,229	589,918	16.58
Equipment	<u>44,646</u>	<u>70,961</u>	<u>(26,315)</u>	(37.08)
TOTALS	<u>\$ 6,512,148</u>	<u>\$ 6,568,419</u>	<u>\$ (56,271)</u>	(0.86)

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 a large amount in 2015 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.

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, 2015

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 588,187
Investments	1,257,368
Accounts Receivable	150,649
Inventory	21,602
Cash and Cash Equivalents – Restricted Assets	<u>33,731</u>
Total Current Assets	<u>2,051,537</u>

NONCURRENT ASSETS

Capital Assets	
Land	227,565
Water Rights	2,091,790
Gathering and Distribution Systems	9,454,528
Equipment	271,801
Less: Accumulated Depreciation	<u>(5,533,536)</u>
Total Noncurrent Assets	<u>6,512,148</u>

TOTAL ASSETS

8,563,685

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources – TCDRS	<u>34,025</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable	85,465
Accrued Compensated Absences	2,893
Accrued Expenses	<u>34,237</u>
Total Current Liabilities	<u>122,595</u>

CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Customer Deposits	<u>33,731</u>
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NON-CURRENT LIABILITIES

Accrued Compensated Absences	8,678
Net Pension Liability	<u>12,062</u>
Total Non-Current Liabilities	<u>20,740</u>

Total Liabilities

177,065

NET POSITION

Net Investment in Capital Assets	6,512,148
Unrestricted	<u>1,908,497</u>
Total Net Position	<u>\$ 8,420,645</u>

(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, 2015

<u>OPERATING REVENUES</u>	
Charges for Services	
Water Sales	\$ 704,726
Wastewater Services	1,134,508
Other Fees and Assessments	<u>198,647</u>
Total Operating Revenues	<u>2,037,881</u>
<u>OPERATING EXPENSES</u>	
Personnel	383,117
Professional Fees	252,921
Contractual Services	132,492
Wastewater Services	677,846
Repairs and Maintenance	129,467
Utilities	74,072
Other Supplies and Expenses	135,324
Depreciation	<u>239,947</u>
Total Operating Expenses	<u>2,025,186</u>
Operating Income	12,695
<u>NON-OPERATING REVENUES</u>	
Interest Income	<u>15,101</u>
Change in Net Position	27,796
<u>NET POSITION AT BEGINNING OF YEAR</u>	<u>8,389,354</u>
RESTATEMENT OF NET POSITION	<u>3,495</u>
<u>NET POSITION AT BEGINNING OF YEAR, AS RESTATED</u>	<u>8,392,849</u>
TOTAL NET POSITION AT END OF YEAR	<u>\$ 8,420,645</u>

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

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
STATEMENT OF CASH FLOWS - WATER AND WASTEWATER
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2015

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received from Customers	\$ 2,041,566
Cash Paid for Personnel Services	(435,928)
Cash Paid for Professional Fees	(252,921)
Cash Paid for Contractual Expenses	(132,492)
Cash Paid for Wastewater Contract	(655,371)
Cash Paid for Repairs and Maintenance	(129,467)
Cash Paid for Utilities	(74,074)
Cash Paid for Supplies and Operating Expenses	(133,891)
Net Cash Provided by Operating Activities	<u>227,422</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Purchase of Capital Assets	(183,676)
Purchase of Investments	(10,766)
Net Cash Used in Investing Activities	<u>(194,442)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Income	<u>15,101</u>
Net Increase (Decrease) in Cash and Cash Equivalents	48,081
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	
	<u>573,837</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	
	<u>\$ 621,918</u>
Cash	\$ 588,187
Cash Restricted	<u>33,731</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 621,918</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Operating Income	\$ 12,695
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation	239,947
Changes to Assets and Liabilities	
Accounts Receivable	791
Inventory	1,432
Accounts Payable	22,474
Customer Deposits	2,894
Accrued Expenses	(31,207)
Accrued Compensated Absences	(3,136)
Net Pension Liability - TCDRS	(18,468)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 227,422</u>
<u>SCHEDULE OF NONCASH ACTIVITIES</u>	
Actuarial Calculation of Net Pension Liability	<u>\$ 11,980</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, 2015

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.

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, 2015

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, 2015, 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, 2015

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.

K. GASB Implementation

During 2015, the District changed accounting policies related to reporting of net pension liability and deferred outflows of resources in the statement of financial position by adopting GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27.*" Accordingly, the effect of the accounting change is reported on the statement of net position and the statement of revenues, expenses, and changes in net position for the current year.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 2: DEPOSITS AND INVESTMENTS

As of December 31, 2015, the District had the following investments:

<u>INVESTMENT TYPE</u>	<u>FAIR VALUE</u>	<u>WEIGHTED AVERAGE MATURITY (YEARS)</u>
TexPool Investment Pool	\$ 288,342	-
Certificates of Deposits	<u>969,026</u>	<u>1.28</u>
TOTAL	<u>\$ 1,257,368</u>	
PORTFOLIO WEIGHTED AVERAGE MATURITY		<u>1.28</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, 2015, 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 \$621,918 and the bank balance was \$686,563.

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, 2015

NOTE 3: CAPITAL ASSETS

A summary of capital assets at December 31, 2015 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	\$ 227,565	\$ -	\$ -	\$ 227,565
Construction in Progress	619,874	170,784	(790,658)	-
Water Rights	<u>2,091,790</u>	<u>-</u>	<u>-</u>	<u>2,091,790</u>
Total Capital Assets, not being Depreciated	<u>2,939,229</u>	<u>170,784</u>	<u>(790,658)</u>	<u>2,319,355</u>
Capital Assets, being Depreciated				
Gathering and Distribution Systems	8,650,978	803,550	-	9,454,528
Equipment	<u>271,801</u>	<u>-</u>	<u>-</u>	<u>271,801</u>
Total Capital Assets, Being Depreciated	<u>8,922,779</u>	<u>803,550</u>	<u>-</u>	<u>9,726,329</u>
Less Accumulated Depreciation for				
Gathering and Distribution Systems	(5,092,749)	(213,632)	-	(5,306,381)
Equipment	<u>(200,840)</u>	<u>(26,315)</u>	<u>-</u>	<u>(227,155)</u>
Total Accumulated Depreciation	<u>(5,293,589)</u>	<u>(239,947)</u>	<u>-</u>	<u>(5,533,536)</u>
Total Capital Assets, being Depreciated - Net	<u>3,629,190</u>	<u>563,603</u>	<u>-</u>	<u>4,192,793</u>
CAPITAL ASSETS - NET	<u>\$ 6,568,419</u>	<u>\$ 734,387</u>	<u>\$ (790,658)</u>	<u>\$ 6,512,148</u>

NOTE 4: EMPLOYEES' RETIREMENT SYSTEM

A. 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 656 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.

B. Benefits Provided

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, 2015

NOTE 4: EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

B. Benefits Provided (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.

Employees Covered by Benefit Terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>7</u>
Total	<u>12</u>

C. Contributions

The contributions rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employees gross earnings, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. 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.

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 7.69% for the 2015 calendar year. The deposit rate payable by all employee members for the 2015 calendar year is the rate of 7%.

For the employer's accounting year ending December 31, 2015, the annual pension cost for the TCDRS Plan for its employees was \$23,945 and the actual contributions were \$23,945.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 4: EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

D. Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The December 31, 2014 actuarial valuation is the most recent valuation.

Actuarial Valuation Information:

The Total Pension Liability in the December 31, 2014 actuarial valuations was determined using the following actuarial assumptions:

Actuarial Valuation Date	12/31/2014
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Amortization Period	20 Years
Asset Valuation Method	5 Year Smoothed Value
Actuarial Assumptions:	
Investment Return* (includes administrative expenses)	8.1%
Projected Salary Increase*	4.9
Inflation	3.0
Cost-of-Living Adjustments	0.0

*Include inflation at the stated rate.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee. Mortality rates for active members were based on gender-distinct RP2000 Active Employee Mortality Table with a projection scale AA, a two year set-forward for males, and a four-year set-back for females. Mortality rates for retirees, beneficiaries, and non-active members were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with the projection scale AA, with a one year set-forward for males and no age adjustment for females. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with the projection scale AA, no age adjustment for males, and a two year set-forward for females.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 4: EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

D. Net Pension Liability (Continued)

The long-term expected rate of return on pension plan investments is 8.1%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on TCDRS assets is calculated by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS's investment consultants and are based on January 2015 information for a 7-10 year time horizon.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return (Expected Minus Inflation)</u>
U.S. Equities	16.5%	5.35%
Private Equity	12.0%	8.35%
Global Equities	1.5%	5.65%
International Equities – Developed	11.0%	5.35%
International Equities – Emerging	9.0%	6.35%
Investment-Grade Bonds	3.0%	0.55%
High-Yield Bonds	3.0%	3.75%
Opportunistic Credit	5.0%	5.54%
Direct Lending	2.0%	5.80%
Distressed Debt	3.0%	6.75%
REIT Equities	2.0%	4.00%
Commodities	2.0%	-0.20%
Master Limited Partnerships (MLPs)	2.0%	5.30%
Private Real Estate Partnerships	3.0%	7.20%
Hedge Funds	25.0%	5.15%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 4: EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

D. Net Pension Liability (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2013	\$ 947,494	\$ 928,944	\$ 18,550
Changes for the year:			
Service Cost	29,315	-	29,315
Interest on Total Pension Liability	73,641	-	73,641
Effect of Plan Changes	-	-	-
Effect of Economic/Demographic Gains or Losses	1,464	-	1,464
Effect of Assumptions Changes or Inputs	-	-	-
Refund of Contributions	(17,639)	(17,639)	-
Benefit Payments	(89,892)	(89,892)	-
Administrative Expense	-	(716)	716
Member Contributions	-	19,759	(19,759)
Net Investment Income	-	62,536	(62,536)
Employer Contributions	-	22,045	(22,045)
Other	-	7,284	(7,284)
Net Changes	<u>(3,111)</u>	<u>3,377</u>	<u>(6,488)</u>
Balance at December 31, 2014	<u>\$ 944,383</u>	<u>\$ 932,321</u>	<u>\$ 12,062</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District, calculated using the discount rate of 8.1%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-point higher (9.1%) than the current rate:

	1% Decrease in Discount Rate (7.1%)	Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
Total Pension Liability	\$ 1,049,370	\$ 944,383	\$ 857,165
Fiduciary Net Position	<u>932,321</u>	<u>932,321</u>	<u>932,321</u>
District's Net Pension Liability (Asset)	<u>\$ 117,049</u>	<u>\$ 12,062</u>	<u>\$ (75,156)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained on the Internet at www.tcdrs.org.

E. Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended December 31, 2015, the District recognized pension expense of \$5,477.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 4: EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

E. Pension Expense and Deferred Outflows of Resources Related to Pensions (Continued)

At December 31, 2015, the District reported deferred outflows of resources related to pensions from the following sources:

		<u>Deferred Outflows Of Resources</u>
Difference Between Expected and Actual Economic Experience	\$	1,220
Changes in Actuarial Assumptions		-
Difference Between Projected and Actual Investment Earnings		8,860
Contributions Subsequent to the Measurement Date		<u>23,945</u>
Total	\$	<u>34,025</u>

The District reported \$23,945 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability for the year ending December 31, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:		
2015	\$	2,459
2016		2,459
2017		2,459
2018		2,459
2019		244
Thereafter		-
Total	\$	<u>10,080</u>

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, 2015 there was no threatening or pending litigation against the District.

NOTE 6: RESTATEMENT OF NET POSITION

During the fiscal year 2015, the District adopted GASB Statement No. 68 "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27." With the adoptions of this standard, the District is required to recognize their specific pension amounts, which include net pension liability (NPL), deferred outflows of resources, and pension expense. Adoption of GASB Statement No. 68 required a prior period adjustment of \$3,495. The restated net position for the District is \$8,392,849 for the year ended December 31, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS
*LAST 10 YEARS

	2014
Total Pension Liability	
Service Cost	\$ 29,315
Interest on the Total Pension Liability	73,641
Effect of Plan Changes	-
Effect of Assumption Changes	-
Effect of Economic/Demographic (Gains) or Losses	1,464
Benefit Payments/Refunds of Contributions	<u>(107,531)</u>
Net Change in Total Pension Liability	(3,111)
Total Pension Liability - Beginning	<u>947,494</u>
Total Pension Liability - Ending (a)	<u>\$ 944,383</u>
Fiduciary Net Position	
Employer Contributions	\$ 22,045
Member Contributions	19,759
Investment Income, Net of Investment Expenses	62,536
Benefit Payments/Refunds of Contributions	(107,531)
Administrative Expense	(716)
Other	<u>7,284</u>
Net Change in Plan Fiduciary Net Position	3,377
Plan Fiduciary Net Position - Beginning	<u>928,944</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 932,321</u>
Net Pension Liability (a) - (b)	<u>\$ 12,062</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	98.72%
Covered Employee Payroll	282,271
Net Pension Liability as a Percentage of Total Covered Employee Payroll	4.27%

*GASB Statement No. 68 requires 10 years of data to be provided in this schedule. This is the first year of implementation of GASB Statement No. 68. The District will develop and present the schedule prospectively.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
*LAST 10 FISCAL YEARS

<u>Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2015	\$ 23,945	\$ 23,945	\$ -	\$ 310,727	7.7%

*GASB Statement No. 68 requires 10 fiscal years of data to be provided in this schedule. This is the first year of implementation of GASB Statement No. 68. The District will develop and present the schedule prospectively.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015

NOTE 1: SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20 Years
Asset Valuation Method	5 Year Smoothed Value
Inflation	3.00%
Salary Increases	3.5% to 4.9% Including Inflation
Investment Rate of Return	8.10%
Retirement Age	Experience-based table of rates that are specific to the District's plan of benefits.
Mortality	RP2000 Combined Mortality Table with a one-year set-forward for males and no age adjustments for females on a fully generational basis with scale AA

Other Information:

There were no benefit changes during the year.

TEXAS SUPPLEMENTARY INFORMATION

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
TSI-1. SERVICES AND RATES
YEAR ENDED DECEMBER 31, 2015

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: 307,463,000

Gallons Billed to Customers: 276,886,000

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, 2015

<u>PERSONNEL EXPENSES (INCLUDING BENEFITS)*</u>	\$ 383,117
<u>PROFESSIONAL FEES</u>	
Auditing	9,900
Legal	217,733
Engineering	25,288
Financial Advisor	-
Other Professional Fees	-
<u>PURCHASED SERVICES FOR RESALE</u>	
Bulk Water and Wastewater Service Purchases	677,846
<u>CONTRACTED SERVICES</u>	132,492
<u>UTILITIES</u>	74,072
<u>REPAIRS AND MAINTENANCE</u>	129,467
<u>ADMINISTRATIVE EXPENDITURES</u>	
Directors' Fees	-
Office Supplies	6,421
Insurance	61,012
Other Administrative Expenditures	67,891
<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>239,947</u>
TOTAL EXPENSES	<u>\$ 2,025,186</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, 2015

	<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 Fellowship Federal Credit Union - Certificate of Deposit	1516-1111-000	0.10%	N/A	\$ 288,342	\$ -
Fellowship Federal Credit Union-Certificate of Deposit	7003-313	1.00	01/16/2016	50,000	-
Fellowship Federal Credit Union - Certificate of Deposit	7003-314	1.00	7/28/2016	50,486	-
Security Service Federal Credit Union - Certificate of Deposit	7003-315	1.00	02/1/2017	50,000	-
Security Service Federal Credit Union - Certificate of Deposit	45556807080	1.24	12/01/2016	115,565	-
San Antonio Federal Credit Union - Certificate of Deposit	45556807081	2.37	02/03/2017	100,000	-
San Antonio Federal Credit Union - Certificate of Deposit	17256942-0010	1.50	12/01/2019	122,572	-
Randolph Brooks Federal Credit Union - Certificate of Deposit	17256942-0012	1.88	2/20/2018	52,730	-
Randolph Brooks Federal Credit Union - Certificate of Deposit	581851	1.02	7/20/2016	107,125	-
Firstmark Credit Union-Certificate of Deposit	675564	1.01	7/20/2016	104,125	-
Firstmark Credit Union-Certificate of Deposit	604820-47	1.09	8/21/2016	105,343	-
Firstmark Credit Union-Certificate of Deposit	604820-48	2.08	12/16/2020	<u>111,080</u>	-
TOTALS				<u>\$ 1,257,368</u>	<u>\$ -</u>

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

	<u>2015</u>	<u>2014</u>	<u>AMOUNT</u> <u>2013</u>
<u>OPERATING REVENUES</u>			
Water Sales	\$ 704,726	\$ 725,934	\$ 697,999
Wastewater Service Charges	1,134,508	1,150,056	1,137,505
Tap Connections and Other Revenue	<u>198,647</u>	<u>196,173</u>	<u>219,225</u>
Total Operating Revenues	<u>2,037,881</u>	<u>2,072,163</u>	<u>2,054,729</u>
<u>OPERATING EXPENSES</u>			
Personnel Services	383,117	385,215	374,899
Professional Fees	252,921	107,325	16,072
Contractual Services	132,492	132,279	155,758
Wastewater Services	677,846	702,681	702,249
Repairs and Maintenance	129,467	98,073	89,735
Utilities	74,072	76,730	67,943
Other Supplies and Expenses	135,324	133,089	132,003
Depreciation	<u>239,947</u>	<u>219,484</u>	<u>212,840</u>
Total Operating Expenses	<u>2,025,186</u>	<u>1,854,876</u>	<u>1,751,499</u>
Operating Income	<u>12,695</u>	<u>217,287</u>	<u>303,230</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest Income	15,101	16,324	18,078
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>15,101</u>	<u>16,324</u>	<u>18,078</u>
NET INCOME	<u>\$ 27,796</u>	<u>\$ 233,611</u>	<u>\$ 321,308</u>
Average Annual Unpaid Bond Principal and Interest			
Net Income before Interest Expense and Fiscal Fees	\$ -	\$ -	\$ -
	27,796	233,611	321,308
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	2,313	2,459	2,451
Number of Sewer Customers at End of Year	2,298	2,409	2,392
Total Amount of Water Billed to Customers (in 1,000 of Gallons)	276,886	290,638	283,072

(See Auditor's Report)

PERCENT OF FUND TOTAL REVENUES

2012	2011	2015	2014	2013	2012	2011
\$ 661,124	\$ 739,275	34.58%	35.03%	33.97%	36.09%	39.88%
956,972	927,114	55.67	55.50	55.36	52.23	50.01
<u>214,001</u>	<u>187,403</u>	<u>9.75</u>	<u>9.47</u>	<u>10.67</u>	<u>11.68</u>	<u>10.11</u>
<u>1,832,097</u>	<u>1,853,792</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
337,907	337,316	18.80	18.59	18.25	18.44	18.20
59,690	12,938	12.41	5.18	0.78	3.26	0.70
158,916	85,520	6.50	6.38	7.58	8.67	4.61
591,037	578,450	33.26	33.91	34.18	32.26	31.20
118,573	125,307	6.35	4.73	4.37	6.47	6.76
65,281	75,082	3.63	3.70	3.31	3.56	4.05
110,728	86,115	6.64	6.42	6.42	6.04	4.65
<u>233,969</u>	<u>244,759</u>	<u>11.77</u>	<u>10.59</u>	<u>10.36</u>	<u>12.77</u>	<u>13.20</u>
<u>1,676,101</u>	<u>1,545,487</u>	<u>99.38</u>	<u>89.51</u>	<u>85.24</u>	<u>91.47</u>	<u>83.37</u>
<u>155,996</u>	<u>308,305</u>	<u>0.62</u>	<u>10.49</u>	<u>14.76</u>	<u>8.51</u>	<u>16.63</u>
17,231	14,484	0.74	0.79	0.88	0.94	0.78
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>17,231</u>	<u>14,484</u>	<u>0.74</u>	<u>0.79</u>	<u>0.88</u>	<u>0.94</u>	<u>0.78</u>
<u>\$ 173,227</u>	<u>\$ 322,789</u>	<u>1.36%</u>	<u>11.27%</u>	<u>15.64%</u>	<u>9.45%</u>	<u>17.41%</u>
\$ -	\$ -					
173,227	322,789					
N/A	N/A					
2,463	2,456					
2,405	2,396					
295,042	368,651					

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
YEAR ENDED DECEMBER 31, 2015

Complete District Mailing Address:

8601 Midcrown
 Windcrest, Texas 78239

District Business Telephone Number:

(210) 655-2888

Limit on Fees of Office that a Director May Receive during a Fiscal Year

\$6,000

NAME	TERM OF OFFICE (ELECTED OR APPOINTED) OR DATE HIRED	FEES OF OFFICE DECEMBER 31, 2015	EXPENSE REIMBURSEMENTS DECEMBER 31, 2015	TITLE AT YEAR END
<u>BOARD MEMBERS</u>				
Dan Reese	01/15 - 11/16	\$ 1,540	\$ -	President
John Fagln	11/14 - 11/18	1,700	-	Vice-President
Eugenia Snead	11/14 - 11/18	1,700	-	Secretary
Edward F. Chevalier	05/12 - 12/15	1,700	-	Treasurer
Sue Alexander	11/14 - 11/18	1,580	-	Director
Ronnie Merriman	12/15 - 11/16	140	-	Treasurer
<u>KEY ADMINISTRATIVE PERSONNEL</u>				
David Wallace	5/15 - Present	49,125	-	General Manager
Adam Telfer	9/13 - 03/15	11,499	-	General Manager
<u>CONSULTANTS</u>				
ABIP, P.C.	2012	9,900	-	Independent Certified Public Accountants
Robert Wilson, III	2011	14,921	-	District Legal Counsel
Langley & Banack	2014	202,812	-	Attorney
Sunbelt Engineering (Donald R. Frazor, P.E.)*	1971	25,288	-	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
NI. ANNUAL FILING AFFIDAVIT
DECEMBER 31, 2015

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 21st day of April, 2016 its annual audit report for the fiscal year or period ended December 31, 2015, and that copies of the annual audit report have been filed in the District office, located at San Antonio, Bexar County, Texas.

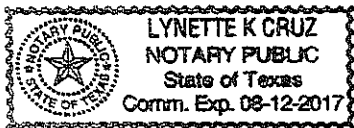
The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Water Code.

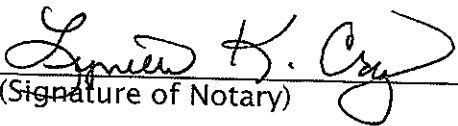
Date: April 21, 2016



Daniel J. Reese

Sworn to and subscribed to before me this 21st day of April, 2016





(Signature of Notary)

Lynette K. Cruz

(Printed Name of Notary)

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



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
Windcrest, 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 21, 2016.

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 a 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 from 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

April 21, 2016