

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

Windcrest, Texas

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2019 and 2018

ANNUAL FINANCIAL REPORT
OF THE
BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
For the Years Ended December 31, 2019 and 2018

President	Sue Alexander
Vice-President	Eugenia Snead
Treasurer	Gale Scheibler
Secretary	Fernando Richards, Jr
Director	Eddie Guerrero
General Manager	David Wallace

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

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INDEPENDENT AUDITORS' REPORT

To the 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, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Bexar County Water Control and Improvement District No. 10'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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the Bexar County Water Control and Improvement District No. 10'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 Bexar County Water Control and Improvement District No. 10'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bexar County Water Control and Improvement District No. 10 as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, Bexar County Water Control and Improvement District No. 10 adopted the provisions of Governmental Accounting Standards Board Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective January 1, 2019. 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 required supplementary information as listed in the table of contents 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 37 - 42 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information included on pages 33, 34, 35, 36, 43, 44 and 45 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated March 19, 2020, on our consideration of the Bexar County Water Control and Improvement District No. 10's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bexar County Water Control and Improvement District No. 10's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Austin, Texas
March 19, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2019 and 2018

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 years ended December 31, 2019 and 2018. 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 System 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.

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 three components: (1) financial statements, (2) notes to the financial statements, and (3) required supplementary information.

BASIC FINANCIAL STATEMENTS

The District maintains a single enterprise fund. This fund is presented in the statements of net position, the statements of revenues, expenses, and changes in net position and the statements of cash flows.

The statement of net position presents all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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.

The statement of cash flows reflects cash receipts and payments for operating, noncapital financing, capital and related financing, and investing activities for the years presented.

NOTES TO THE FINANCIAL STATEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

The accompanying RSI provide historical information on the defined benefit pension plan including changes in net pension liability, annual contributions, and notes to the RSI.

See accompanying independent auditors' report.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2019 and 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

OTHER INFORMATION

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

FINANCIAL HIGHLIGHTS

2019

- The assets and deferred outflows of resources of the District exceed its liabilities and deferred inflows of resources by \$8,094,688 (net position) for the fiscal year reported. This is a decrease of \$192,062 from the prior year.
- Total net position is comprised of the following:
 1. Net investment in capital assets in the amount of \$6,634,133 includes all property and equipment owned by the District, net of accumulated depreciation.
 2. Net position restricted for net pension asset in the amount of \$7,456 includes the difference between the pension plan's net position and the actuarially calculated pension liability.
 3. Net position restricted for debt service is in the amount of \$76,634 includes the difference between the restricted debt service cash and restricted interest payable.
 4. Unrestricted net position of \$1,376,465 represents the portion available to fund the District's operations.
- Operating revenues increased by \$116,717, an increase of 5.27% from calendar year 2018. Revenue slightly increased primarily due to a 19% increase in water rates.
- Operating expenses increased by \$115,339 a increase of 5.61% from calendar year 2018.

2018

- The assets and deferred outflows of resources of the District exceed its liabilities and deferred inflows of resources by \$8,286,750 (net position) for the fiscal year reported. This is an increase of \$182,573 from the prior year.
- Total net position is comprised of the following:
 1. Net investment in capital assets in the amount of \$6,632,860 includes all property and equipment owned by the District, net of accumulated depreciation.
 2. Net position restricted for net pension asset in the amount of \$57,285 includes the difference between the pension plan's net position and the actuarially calculated pension liability.
 3. Unrestricted net position of \$1,596,605 represents the portion available to fund the District's operations.

See accompanying independent auditors' report.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2019 and 2018

FINANCIAL HIGHLIGHTS (cont.)

2018 (cont.)

- Operating revenues increased by \$145,392, an increase of 7.02% from calendar year 2017. Revenue slightly increased primarily due to a 19% increase in water rates.
- Operating expenses decreased by \$8,824 a decrease of 0.43% from calendar year 2017.

FINANCIAL ANALYSIS

The District's net position at calendar year end is \$8,094,688. This is a \$192,062 decrease over last year's net position of \$8,286,750. The following table provides a summary of the District's net position at December 31:

Summary of Net Position

	Business-type Activities			2019-2018 Amount Change	Percent Change
	2019	2018	2017		
Current and Other Assets	\$ 7,119,483	\$ 2,113,965	\$ 1,662,665	\$ 5,005,518	237%
Capital Assets	8,704,516	6,632,860	6,888,197	2,071,656	31
Total Assets	<u>15,823,999</u>	<u>8,746,825</u>	<u>8,550,862</u>	<u>7,077,174</u>	81
Deferred Outflows of Resources	83,562	33,496	64,424	50,066	149
Current Liabilities	436,400	230,598	203,900	205,802	89
Noncurrent Liabilities	7,198,231	16,830	39,109	7,181,401	42,670
Total Liabilities	<u>7,634,631</u>	<u>247,428</u>	<u>243,009</u>	<u>7,387,203</u>	2,986
Deferred Inflows of Resources	178,242	246,143	268,100	(67,901)	(28)
Net Position					
Net Investment in Capital					
Assets					
Restricted for Debt Service	6,634,133	6,632,860	6,820,540	1,273	-
Restricted for Net Pension	76,634	-	-	76,634	100
Asset	7,456	57,285	-	(49,829)	(87)
Unrestricted	<u>1,376,465</u>	<u>1,596,605</u>	<u>1,283,637</u>	<u>(220,140)</u>	(14)
Total Net Position	<u>\$ 8,094,688</u>	<u>\$ 8,286,750</u>	<u>\$ 8,104,177</u>	<u>\$ (192,062)</u>	(2)%

See accompanying independent auditors' report.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

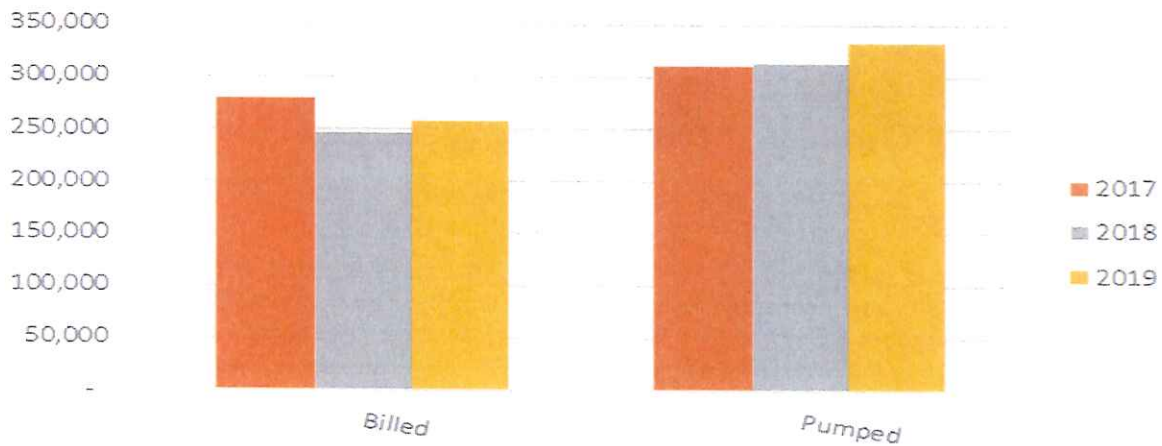
MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2019 and 2018

FINANCIAL ANALYSIS (cont.)

2019 had significantly less rainfall in the fall as compared to 2018. The aquifer decreased its level in 2019 to 672 feet from 686 at the end of 2018. This resulted in a slight increase in water consumption as well as a 14% increase in rates for overall increased revenues.

2018 had significant increased rainfall in the fall as compared to 2017. The aquifer increased its level in 2018 to 686 feet from 667 at the end of 2017. This resulted in a decrease in water consumption offset with a 19% increase in rates for overall increased revenues.

Comparison of Gallons Pumped vs. Billed
(in Thousands)



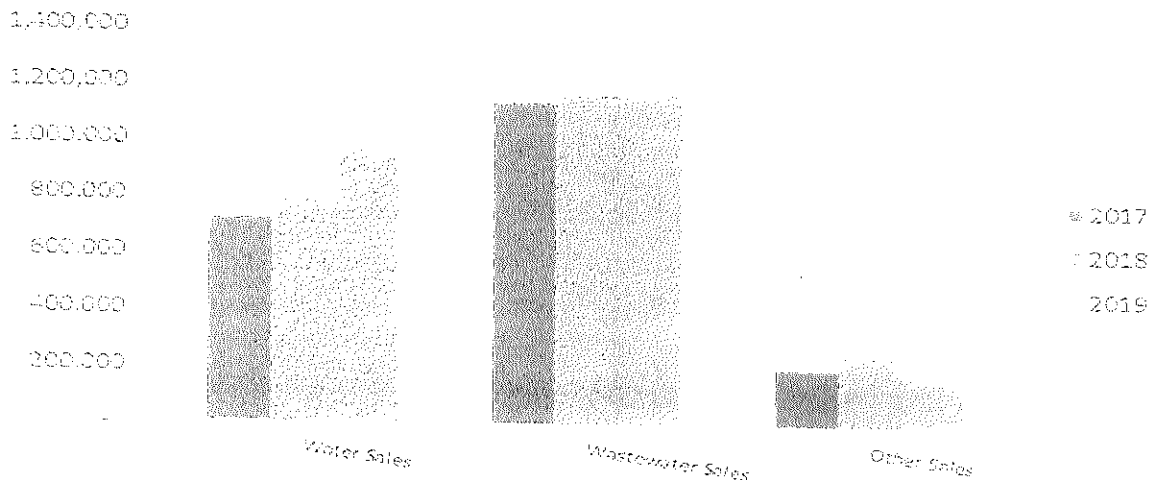
See accompanying independent auditors' report.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended December 31, 2019 and 2018

FINANCIAL ANALYSIS (cont.)

Comparison of Revenues



Although revenues exceeded budget in 2019, the District's rate structure ensures that its financial objectives are achieved. With only necessary 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 2019 were slightly improved over 2018 low levels of \$66,190 versus \$25,651. The District had \$453,110 invested in certificates of deposit in 2019, which was an increase of \$6,802 from 2018. Inflation remained low, 1.76% for the year. The District's options are limited by the State's public investment rules.

See accompanying independent auditors' report.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended December 31, 2019 and 2018

FINANCIAL ANALYSIS (cont.)

Summary of Changes in Net Position

	Business-type Activities			2019-2018 Amount Change	Percent Change
	2019	2018	2017		
Revenues					
Charges for services	\$ 2,331,977	\$ 2,215,260	\$ 2,069,868	\$ 116,717	5%
Expenses					
Operating expenses	2,170,859	2,055,520	2,064,344	115,339	6
Other Revenues (Expenses)					
Gain on sale of property	15,046	16,437	-	(1,391)	(8)
Investment income	66,190	25,651	14,455	40,539	158
Interest expense	(152,509)	-	-	(152,509)	(100)
Debt issuance costs	(281,907)	(19,255)	-	(262,652)	(1,364)
Total Other Revenues (Expenses)	(353,180)	22,833	14,455	(376,013)	(1,647)
Change in Net Position	(192,062)	182,573	19,979	(374,635)	(208)
Beginning Net Position	8,286,750	8,104,177	8,084,198	182,573	2
ENDING NET POSITION	\$ 8,094,688	\$ 8,286,750	\$ 8,104,177	\$ (192,062)	(2)%

FINANCIAL ANALYSIS OF THE DISTRICT'S OPERATIONS

2019

For the calendar year ended December 31, 2019, the District has an overall positive fund balance of \$8,094,688. Of this year-end total, \$1,376,465 is unrestricted, indicating availability for continuing service requirements. This year's decrease in net position was \$192,062.

2018

For the calendar year ended December 31, 2018, the District has an overall positive fund balance of \$8,286,750. Of this year-end total, \$1,596,605 is unrestricted, indicating availability for continuing service requirements. This year's increase in net position was \$182,573.

See accompanying independent auditors' report.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2019 and 2018

CAPITAL ASSETS

2019

The District's investment in capital assets, net of accumulated depreciation, as of December 31, 2019, was \$8,704,516. The total increase in this net investment was 31%. See Note 3 (on pages 20-21) for additional information about changes in capital assets during the calendar year.

In 2019, the District rebuilt Wells #2 and #4, purchased a generator and began construction on phase I of the water and sewer system improvements.

2018

The District's investment in capital assets, net of accumulated depreciation, as of December 31, 2018, was \$6,632,860. The total decrease in this net investment was 2.75%. See Note 3 (on Pages 20-21) for additional information about changes in capital assets during the calendar year.

In 2018, the District rebuilt Well #3 and purchased a backhoe. The District also sold the Randolph Boulevard Lot in 2018.

Capital Assets Net of Accumulated Depreciation

	Business-type Activities			2019-2018 Amount Change	Percent Change
	2019	2018	2017		
Nondepreciable assets					
Land	\$ 10,776	\$ 10,776	\$ 227,565	\$ -	-%
Water rights	2,091,790	2,091,790	2,091,790	-	-
Construction in progress	1,343,149	-	-	1,343,149	100
Depreciable Assets (Net)					
Gathering and distribution Systems	4,964,534	4,332,312	4,374,888	632,226	15
Equipment	294,267	197,982	126,297	96,173	49
Totals	\$ 8,704,516	\$ 6,632,860	\$ 6,820,540	\$ 2,071,548	31

LONG TERM DEBT

As of December 31, 2019, the District has a total revenue bond debt of \$6,940,000 outstanding. In 2019, the District issued Revenue Bonds 2019A and 2019B for \$4,950,000 and \$1,990,000, respectively, for financing improvements to the system. A table of separate debt issues is included in the notes to the financial statements.

See accompanying independent auditors' report.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2019 and 2018

BUDGET, ECONOMIC ENVIRONMENT, AND PROJECTED PROJECTS

One of the long-term objectives of this District is to continue rehabilitating and upgrading our water and wastewater infrastructure. To do this the District hired Leonard Young of Young Professional Services as the District's Engineer and instructed the engineer to do a study to determine the areas the District needed to upgrade.

The engineer recommended approximately \$12.5 million dollars of improvements required to maintain the current system. It was determined that approximately \$7 million dollars was needed immediately to upgrade the electrical controls at Well #3 and Well #4 and replace aging water mains that were in need of constant repair.

The District sought recommendations from Bond Council and a rate consultant to determine the best way to fund these projects and how it would impact rates. The rate consultant, who worked with a volunteer committee, recommended a five-year rate increase structure to fund the \$7 million dollars of improvements needed. The Board adopted the five-year rate increase recommended by the rate consultant and committee to be effective every February 23rd for the next 5 years.

At the Board's request, the District's Engineer worked with District staff to develop a \$7 million dollars improvement plan and obtain the Texas Commission on Environmental Quality (TCEQ) approval. Upon receiving TCEQ approval, the Board instructed Bond Council to sell approximately \$7 million dollars in Revenue Notes to fund the improvement plan.

Once financing was secured, the District's Engineer went out for bids on Phase I projects, which consisted of approximately \$5 million dollars of improvements. The contracts were awarded and approximately 80% of the Phase I Projects for CIP were completed in 2019. The Phase II Projects for CIP have begun in 2020 with contracts awarded for approximately \$1.7 million dollars and with approximately \$750,000 more to be awarded by April 2020.

Once Phases I & II are complete, the District will have approximately \$500,000 left to complete Phase III Projects which have yet to be determined. Phase III will begin in 2021 and will be completed within a one-year period.

The Board has established a water and sewer rate to meet all debt and provide money for future CIP projects. At the end of our five-year rate increases the District will consult with a rate consultant again to determine if a rate increase is needed to maintain the Districts financial goals set out by the Board.

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, TX 78239 or call 210 655 2888.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

STATEMENTS OF NET POSITION - WATER AND WASTEWATER
 PROPRIETARY FUND
 As of December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,224,053	\$ 1,164,805
Investments	453,110	446,308
Accounts receivable	178,408	165,683
Inventory	25,147	25,147
Other accounts receivable	2,010	24,510
Restricted assets		
Cash and cash equivalents - customer deposits	35,572	31,438
Cash and cash equivalents - debt service	146,360	-
Total Current Assets	<u>2,064,660</u>	<u>1,857,891</u>
NONCURRENT ASSETS		
Restricted assets		
Cash and cash equivalents - construction	4,869,617	-
Preliminary survey and investigation	177,750	198,789
Net pension asset	7,456	57,285
Capital Assets		
Land	10,776	10,776
Water rights	2,091,790	2,091,790
Gathering and distribution systems	11,008,292	10,327,007
Equipment	581,325	457,893
Construction in progress	1,343,149	-
Less: Accumulated depreciation	<u>(6,330,816)</u>	<u>(6,254,606)</u>
Total Noncurrent Assets	<u>13,759,339</u>	<u>6,888,934</u>
Total Assets	<u>15,823,999</u>	<u>8,746,825</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - TCDRS	<u>83,562</u>	<u>33,496</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	218,523	166,978
Accrued expenses	27,579	32,182
Total Current Liabilities	<u>246,102</u>	<u>199,160</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Customer deposits	35,572	31,438
Current portion of long term debt	85,000	-
Interest payable	69,726	-
Total Current Liabilities payable from restricted assets	<u>190,298</u>	<u>31,438</u>
NONCURRENT LIABILITIES		
Revenue bonds payable	6,855,000	-
Unamortized debt premium	327,182	-
Accrued compensated absences	16,049	16,830
Total Noncurrent Liabilities	<u>7,198,231</u>	<u>16,830</u>
Total Liabilities	<u>7,634,631</u>	<u>247,428</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - TCDRS	<u>178,242</u>	<u>246,143</u>
NET POSITION		
Net investment in capital assets	6,634,133	6,632,860
Restricted for net pension asset	7,456	57,285
Restricted for debt service	76,634	-
Unrestricted	<u>1,376,465</u>	<u>1,596,605</u>
TOTAL NET POSITION	<u>\$ 8,094,688</u>	<u>\$ 8,286,750</u>

See accompanying notes to financial statements.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION WATER AND WASTEWATER - PROPRIETARY FUND For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Charges for Services		
Water sales	\$ 968,309	\$ 790,258
Wastewater services	1,179,887	1,169,933
Other fees and assessments	183,781	255,069
Total Operating Revenues	<u>2,331,977</u>	<u>2,215,260</u>
OPERATING EXPENSES		
Personnel and benefits	539,666	471,155
Professional fees	69,188	80,000
Contractual services	126,458	132,223
Wastewater services	743,406	762,252
Repairs and maintenance	188,886	109,653
Utilities	78,345	85,331
Other supplies and expenses	118,146	130,793
Depreciation	306,764	284,113
Total Operating Expenses	<u>2,170,859</u>	<u>2,055,520</u>
Operating Income	<u>161,118</u>	<u>159,740</u>
NONOPERATING REVENUES		
Investment income	66,190	25,651
Gain on sale of assets	15,046	16,437
Interest expense	(152,509)	-
Debt issuance costs and amortization of premium	(281,907)	(19,255)
Total Non-Operating Expenses	<u>(353,180)</u>	<u>22,833</u>
Change in Net Position	(192,062)	182,573
NET POSITION - Beginning of Year	<u>8,286,750</u>	<u>8,104,177</u>
NET POSITION - END OF YEAR	<u>\$ 8,094,688</u>	<u>\$ 8,286,750</u>

See accompanying notes to financial statements.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

STATEMENTS OF CASH FLOWS - WATER AND WASTEWATER
 PROPRIETARY FUND

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers		
Paid for personnel services	\$ 2,345,886	\$ 2,207,733
Paid to suppliers for goods and services	(539,576)	(437,249)
Net Cash Flows From Operating Activities	<u>(1,527,860)</u>	<u>(1,345,155)</u>
	<u>278,450</u>	<u>425,329</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt issuance costs	(289,035)	(19,255)
Premium on debt issuance	334,310	-
Interest paid	(82,783)	-
Proceeds from debt issued	6,940,000	-
Net proceeds on sale of assets	19,256	75,726
Purchase of capital assets	<u>(2,180,227)</u>	<u>(341,860)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>4,741,521</u>	<u>(285,389)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	66,190	25,651
Purchase of investments	(184,978)	(104,325)
Sale of investments	178,176	54,752
Net Cash Flows From Investing Activities	<u>59,388</u>	<u>(23,922)</u>
Net Change in Cash and Cash Equivalents	5,079,359	116,018
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>1,196,243</u>	<u>1,080,227</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 6,275,602</u>	<u>\$ 1,196,243</u>
Cash and cash equivalents	\$ 1,224,053	\$ 1,164,805
Cash and cash equivalents - restricted	<u>5,051,549</u>	<u>31,438</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,275,602</u>	<u>\$ 1,196,243</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 161,118	\$ 159,740
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities		
Depreciation	306,764	284,113
Changes to Assets and Liabilities		
Accounts receivable	9,775	(5,127)
Accounts payable	(129,819)	57,541
Customer deposits	4,134	(2,400)
Accrued expenses	(4,603)	2,055
Accrued compensated absences	(781)	-
Net pension liability (asset) - TCDRS	<u>(68,138)</u>	<u>(70,593)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 278,450</u>	<u>\$ 425,329</u>

See accompanying notes to financial statements.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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 the District at a confirmation election held on February 4, 1956. The board of directors ("board") 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 financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the District are described below.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements of the District are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows, deferred inflows and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

In June 2018, the GASB issued Statement No. 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement establishes requirements for interest cost incurred before the end of a construction period. The District adopted this statement effective January 1, 2019.

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Deposits and Investments

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Deposits and Investments (cont.)

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

The District has adopted an investment policy. That policy follows the state statute for allowable investments. For the years ended December 31, 2019 and 2018, the District invested strictly in certificates of deposit and investment pools. The investment pool is recorded at amortized cost without any limitations or restrictions on withdrawals.

Accounts Receivable

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.

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.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

Preliminary Survey and Investigation

The balance represents initial project engineering costs related to District plant construction. The balance will be capitalized upon commencement of the project.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

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

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

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
Machinery & Equipment	10
Vehicles	5

Deferred Outflow of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Accrued Expenses

Accrued expenses consists of accrued assessments and benefit related liabilities.

Customer Deposits

This account represents amounts received from new or delinquent customers. Deposits are refunded to the customer or credited to the customer's account after 12 months of good payment history or upon termination of services. The District does not pay interest on deposits. The corresponding cash is shown as restricted for customer deposits.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

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.

Pension Plan

The District provides pension benefits for all its full-status employees through the Texas County and District Retirement System (TCDRS). For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the TCDRS and additions to/deductions from TCERS' fiduciary net position have been determined on the same basis as they are reported by TCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

Long-term Obligations

Long-term debt and other obligations are reported as District liabilities. Bond premiums and discounts, are amortized over the life of the bonds using effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year-end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

REVENUES AND EXPENSES

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges for water and wastewater services. Operating expenses for the District 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.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Charges for Services

Billings are rendered and recorded monthly based on metered usage. The District does not accrue revenues beyond billing dates.

Current water rates were approved by the board effective February 23, 2019.

Current wastewater rates were approved by the board effective February 21, 2019.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

GASB has approved GASB Statement No. 87, *Leases*, Statement No. 91, *Conduit Debt Obligations*, and Statement No. 92, *Omnibus 2020*. When they become effective, application of these standards may restate portions of these financial statements.

NOTE 2 – CASH AND INVESTMENTS

	Carrying Value		Risks
	2019	2018	
Checking and Savings	\$ 5,971,773	\$ 899,004	Custodial credit
TexPool Investment Pool	303,829	297,239	Credit
Certificates of Deposit	453,110	446,308	Custodial credit
Totals	\$ 6,728,712	\$ 1,642,551	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Deposits in credit unions are insured by the National Credit Union Administration in the amount of \$250,000 for all share draft accounts and \$250,000 for all share certificate and regular share accounts as of December 31, 2019 and 2018.

CUSTODIAL CREDIT RISK

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 approves and designates all authorized depository institutions.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 2 – CASH AND INVESTMENTS (cont.)

CUSTODIAL CREDIT RISK (cont.)

The District's total deposits at banks as of December 31, 2019 and 2018 was \$6,429,665 and \$1,346,360, respectively. In addition, the utility has collateral or depository agreements in the amount of \$6,085,660 and \$0 at December 31, 2019 and 2018, respectively. \$0 and \$622,726 were exposed to custodial credit risk as of December 31, 2019 and 2018, respectively.

CREDIT RISK

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, 2019 and 2018, the District's pooled investments were rated "AAA" by Standard and Poor's.

NOTE 3 – CAPITAL ASSETS

A summary of capital assets at December 31, 2019 is as follows:

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
Capital assets, not being depreciated				
Land and easements	\$ 10,776	\$ -	\$ -	\$ 10,776
Construction in progress	-	2,382,631	(1,039,482)	1,343,149
Water rights	2,091,790	-	-	2,091,790
Total Capital Assets, Not Being Depreciated	2,102,566	2,382,631	(1,039,482)	3,445,715
Capital assets being depreciated				
Gathering and distribution systems	10,327,007	893,837	(212,552)	11,008,292
Equipment	457,893	145,645	(22,213)	581,325
Total Capital Assets Being Depreciated	10,784,900	1,039,482	(234,765)	11,589,617
Less: Accumulated depreciation for				
Gathering and distribution systems	(5,994,695)	(257,405)	208,342	(6,043,758)
Equipment	(259,911)	(49,359)	22,212	(287,058)
Total Accumulated Depreciation	(6,254,606)	(306,764)	230,554	(6,330,816)
Net Capital Assets Being Depreciated	4,530,294	732,718	(4,211)	5,258,801
Net Capital Assets	\$ 6,632,860	\$ 3,115,349	\$ (1,043,693)	\$ 8,704,516

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

NOTE 3 – CAPITAL ASSETS (cont.)

A summary of capital assets at December 31, 2018 is as follows:

	Balance 1/1/18	Increases	Decreases	Balance 12/31/18
Capital assets, not being depreciated				
Land and easements	\$ 227,565	\$ -	\$ (216,789)	\$ 10,776
Construction in progress	-	530,820	(530,820)	-
Water rights	2,091,790	-	-	2,091,790
Total Capital Assets, Not Being Depreciated	2,319,355	530,820	(747,609)	2,102,566
Capital assets being depreciated				
Gathering and distribution systems	10,156,414	204,876	(34,283)	10,327,007
Equipment	403,377	108,346	(53,830)	457,893
Total Capital Assets Being Depreciated	10,559,791	313,222	(88,113)	10,784,900
Less: Accumulated depreciation for				
Gathering and distribution systems	(5,781,526)	(247,452)	34,283	(5,994,695)
Equipment	(277,080)	(36,661)	53,830	(259,911)
Total Accumulated Depreciation	(6,058,606)	(284,113)	88,113	(6,254,606)
Net Capital Assets Being Depreciated	4,501,185	29,109	-	4,530,294
Net Capital Assets	\$ 6,820,540	\$ 559,929	\$ (747,609)	\$ 6,632,860

NOTE 4 – EMPLOYEES' RETIREMENT SYSTEM

PLAN DESCRIPTION

The District 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 most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tcdrs.org.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 4 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

BENEFITS PROVIDED

All full- and part-time nontemporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership. The plan provides retirement, disability and survivor benefits. TCDRS is a savings-based plan. For the District's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 100%) and is then converted to an annuity. There are no automatic COLAs. Each year, the District may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.

Employees Covered by Benefit Terms

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

	2018	2017
Inactive employees or beneficiaries currently receiving benefits	5	4
Inactive employees entitled to but not yet receiving benefits	3	3
Active employees	7	7
Total	15	14

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 contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The District contributed using the actuarially determined rate of 7.0% for the 2019 and 2018 calendar years. The employee contribution rates are set by the District and are 7.0% for the 2019 and 2018 calendar years.

NET PENSION LIABILITY (ASSET)

The District's Net Pension Liability (Asset) (NPL/NPA) recorded as of December 31, 2019 and 2018 was measured as of December 31, 2018 and 2017, respectively, and the Total Pension Liability (Asset) (TPL/TPA) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date. The December 31, 2018 actuarial valuation is the most recent valuation.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 4 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

NET PENSION LIABILITY (ASSET) (cont.)

Actuarial Valuation Information

The Total Pension Liability (Asset) in the December 31, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Valuation Dates:	December 31, 2018 and 2017
Actuarial Cost Method:	Entry Age
Amortization Method:	Level Percentage of Payroll, Closed
Amortization Period:	0.0 Years
Asset Valuation Method:	5 Year Smoothed Market
Actuarial Assumptions:	
Investment Return* (includes administrative expenses)	8.00%
Projected Salary Increase*	4.9
Inflation	2.75
Cost-of-Living Adjustments	0.0

* Includes 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 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee. Mortality rates for active members were based on gender-distinct RP2014 Active Employee Mortality Table, projected with 110% of the MP-2014 Ultimate scale after 2014. Mortality rates for retirees, beneficiaries, and nonactive members were based on the gender-distinct RP2014 Healthy Annuitant Mortality Table, projected with 110% of the MP-2014 Ultimate scale after 2014. For disabled annuitants, the gender-distinct RP2014 Disabled Annuitant Mortality Table is used, projected with 110% of the MP-2014 Ultimate scale after 2014.

The long-term expected rate of return on pension plan investments is 8.0%. 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 determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2018.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

NOTE 4 – EMPLOYEES' RETIREMENT SYSTEM (cont.)

NET PENSION LIABILITY (ASSET) (cont.)

Actuarial Valuation Information (cont.)

The capital market assumptions and information are provided by TCDRS's investment consultants, Cliffwater LLC. The numbers shown are based on January 2019 information for a 10-year time horizon.

<u>Asset Class</u>	<u>Target Allocation⁽¹⁾</u>	<u>Geometric Real Rate of Return (Expected Minus Inflation)⁽²⁾</u>
U.S. equities	10.50%	5.40%
Private equity	18.00%	8.40%
Global equities	2.50%	5.70%
International equities – developed	10.00%	5.40%
International equities – emerging	7.00%	5.90%
Investment-grade bonds	3.00%	1.60%
Strategic credit	12.00%	4.39%
Direct lending	11.00%	7.95%
Distressed debt	2.00%	7.20%
REIT equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	3.00%	5.35%
Private real estate partnerships	6.00%	6.30%
Hedge funds	13.00%	3.90%
Total	<u>100.0%</u>	

(1) Target asset allocation adopted at the April 2019 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.7%, per Cliffwater's 2019 capital market assumptions.

Discount Rate

A single discount rate of 8.1% was used to measure the Total Pension Liability (Asset) as of December 31, 2019 and 2018. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses. 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 (Asset).

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

NOTE 4 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

NET PENSION LIABILITY (ASSET) (cont.)

Changes in the Net Pension Liability (Asset)

	<u>Total Pension Liability (a)</u>	<u>Increase (Decrease) Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a) – (b)</u>
Balance at December 31, 2018	\$ 583,438	\$ 640,723	\$ (57,285)
Changes for the year:			
Service cost	33,131	-	33,131
Interest on total pension liability	49,007	-	49,007
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	12,948	-	12,948
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	(23,559)	(23,559)	-
Administrative expense	-	(532)	532
Member contributions	-	27,378	(27,378)
Net investment income	-	(11,571)	11,571
Employer contributions	-	28,942	(28,942)
Other	-	1,040	(1,040)
Net Changes	<u>71,527</u>	<u>21,698</u>	<u>49,829</u>
Balance at December 31, 2019	<u>\$ 654,965</u>	<u>\$ 662,421</u>	<u>\$ (7,456)</u>

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 4 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

NET PENSION LIABILITY (ASSET) (cont.)

Changes in the Net Pension Liability (Asset) (cont.)

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance at December 31, 2017	\$ 596,451	\$ 574,172	\$ 22,279
Changes for the year:			
Service cost	33,218	-	33,218
Interest on total pension liability	48,396	-	48,396
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(28,615)	-	(28,615)
Effect of assumptions changes or inputs	(355)	-	(355)
Refund of contributions	(42,098)	(42,098)	-
Benefit payments	(23,559)	(23,559)	-
Administrative expense	-	(426)	426
Member contributions	-	23,971	(23,971)
Net investment income	-	83,546	(83,546)
Employer contributions	-	25,340	(25,340)
Other	-	(223)	223
Net Changes	<u>(13,013)</u>	<u>66,551</u>	<u>(79,564)</u>
Balance at December 31, 2018	\$ <u>583,438</u>	\$ <u>640,723</u>	\$ <u>(57,285)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the District, calculated using the discount rate of 8.1%, as well as what the District’s net pension liability (asset) 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:

December 31, 2019	1% Decrease in Discount Rate (7.1%)	Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
Total pension liability	\$ 723,384	\$ 654,965	\$ 596,746
Fiduciary net position	<u>662,422</u>	<u>662,421</u>	<u>662,422</u>
District’s Net Pension Liability (Asset)	\$ <u>60,962</u>	\$ <u>(7,456)</u>	\$ <u>(65,676)</u>

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 4 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

NET PENSION LIABILITY (ASSET) (cont.)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate (cont.)

December 31, 2018	1% Decrease in Discount Rate (7.1%)	Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
Total pension liability	\$ 654,133	\$ 583,438	\$ 523,066
Fiduciary net position	<u>640,723</u>	<u>640,723</u>	<u>640,723</u>
District's Net Pension Liability (Asset)	<u>\$ 13,410</u>	<u>\$ (57,285)</u>	<u>\$ (117,657)</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.

PENSION EXPENSE

For the years ended December 31, 2019 and 2018, the District recognized pension expense of \$(37,666) and \$(41,786), respectively.

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO PENSIONS

At December 31, 2019, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 11,762	\$ 178,029
Changes in actuarial assumptions	1,890	213
Differences between projected and actual investment earnings	39,439	-
Contributions subsequent to the measurement date	<u>30,471</u>	<u>-</u>
Totals	<u>\$ 83,562</u>	<u>\$ 178,242</u>

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

NOTE 4 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO PENSIONS (cont.)

At December 31, 2018, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,034	\$ 237,372
Changes in actuarial assumptions	2,520	284
Differences between projected and actual investment earnings	-	8,487
Contributions subsequent to the measurement date	28,942	-
Totals	\$ 33,496	\$ 246,143

The following table presents the future amortization of deferred outflows and deferred inflows of resources, excluding the balance attributable to the employer’s contribution to the plan in the current calendar year and subsequent to the net pension liability (asset) measurement date. The deferred outflows of resources balance for such contribution amounts at the end of the calendar year are recognized fully as adjustments to the net pension liability in the subsequent calendar year.

Years Ended December 31,		
2020	\$	(40,912)
2021		(49,394)
2022		(50,392)
2023		15,547
Thereafter		-
Total	\$	(125,151)

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. Settled claims have not exceeded the commercial liability in any of the past three years. There were no significant reductions in coverage compared to the prior year.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 6 – LONG-TERM OBLIGATIONS

Revenue Bonds

The following bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/19</u>
3/27/2019	Improvements to the system	3/1/2043	4.0%	\$ 4,950,000	\$ 4,950,000
12/5/2019	Improvements to the system	3/1/2043	5.0	1,990,000	1,990,000

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 85,000	\$ 244,021	\$ 329,021
2021	135,000	257,943	392,943
2022	195,000	250,943	445,943
2023	205,000	242,368	447,368
2024	215,000	233,344	448,344
2025-2029	1,200,000	1,024,820	2,224,820
2030-2034	1,470,000	762,620	2,232,620
2035-2039	1,765,000	456,519	2,221,519
2040-2043	1,670,000	117,747	1,787,747
Totals	\$ 6,940,000	\$ 3,590,325	\$ 10,530,325

Long-term obligation activity for the year ended December 31, 2019 is as follows:

	<u>1/1/19 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/19 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ -	\$ 6,940,000	\$ -	\$ 6,940,000	\$ 85,000
Unamortized premium	-	334,310	7,128	327,182	-
Accrued compensation	16,830	16,324	17,105	16,049	-
Totals	\$ 16,830	\$ 7,290,634	\$ 24,233	\$ 7,283,231	\$ 85,000

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 7 – SUBSEQUENT EVENTS

The District evaluated subsequent events through March 19, 2020, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

Rate Adjustment

Water and Sewer Rates increased effective February 23, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

**SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN YEARS *
(UNAUDITED)**

	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY					
Service cost	\$ 33,131	\$ 33,218	\$ 33,858	\$ 30,781	\$ 29,315
Interest on the total pension liability	49,007	48,396	44,402	72,720	73,641
Effect of plan changes	-	-	-	(6,513)	-
Effect of assumption changes	-	(355)	-	4,411	-
Effect of economic/demographic (gains) or losses	12,948	(28,615)	2,319	(375,340)	1,464
Benefit payments/refunds of contributions	<u>(23,559)</u>	<u>(65,657)</u>	<u>(30,826)</u>	<u>(123,744)</u>	<u>(107,531)</u>
Net Change in Total Pension Liability	71,527	(13,013)	49,753	(397,685)	(3,111)
TOTAL PENSION LIABILITY - Beginning	<u>583,438</u>	<u>596,451</u>	<u>546,698</u>	<u>944,383</u>	<u>947,494</u>
TOTAL PENSION LIABILITY - ENDING (a)	<u>\$ 654,965</u>	<u>\$ 583,438</u>	<u>\$ 596,451</u>	<u>\$ 546,698</u>	<u>\$ 944,383</u>
FIDUCIARY NET POSITION					
Employer contributions	\$ 28,942	\$ 25,340	\$ 24,887	\$ 23,915	\$ 22,045
Member contributions	27,378	23,971	23,542	21,751	19,759
Investment income, net of investment expenses	(11,571)	83,546	38,224	18,197	62,536
Benefit payments/refunds of contributions	(23,559)	(65,657)	(30,826)	(123,744)	(107,531)
Administrative expense	(532)	(426)	(415)	(519)	(716)
Other	<u>1,040</u>	<u>(223)</u>	<u>(12,367)</u>	<u>(340,794)</u>	<u>7,284</u>
Net Change in Plan Fiduciary Net Position	21,698	66,551	43,045	(401,194)	3,377
PLAN FIDUCIARY NET POSITION - Beginning	<u>640,723</u>	<u>574,172</u>	<u>531,127</u>	<u>932,321</u>	<u>928,944</u>
PLAN FIDUCIARY NET POSITION - ENDING (b)	<u>\$ 662,421</u>	<u>\$ 640,723</u>	<u>\$ 574,172</u>	<u>\$ 531,127</u>	<u>\$ 932,321</u>
NET PENSION LIABILITY (a) - (b)	<u>\$ (7,456)</u>	<u>\$ (57,285)</u>	<u>\$ 22,279</u>	<u>\$ 15,571</u>	<u>\$ 12,062</u>
PLAN FIDUCIARY NET PENSION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	101.14%	109.82%	96.26%	97.15%	98.72%
COVERED PAYROLL	\$ 391,111	\$ 342,438	\$ 336,315	\$ 310,729	\$ 282,271
NET PENSION LIABILITY AS A PERCENTAGE OF TOTAL COVERED EMPLOYEE PAYROLL	-1.91%	-16.73%	6.62%	5.01%	4.27%

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

See accompanying notes to the required supplementary information.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

SCHEDULE OF EMPLOYER CONTRIBUTIONS LAST TEN FISCAL YEARS* (UNAUDITED)

Years Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2019	\$ 30,471	\$ 30,471	\$ -	\$ 411,770	7.4%
2018	16,779	28,942	(12,163)	391,111	7.4%
2017	15,375	25,340	(9,965)	342,438	7.4%
2016	24,887	24,887	-	336,315	7.4%
2015	23,895	23,915	(20)	310,729	7.7%

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

See accompanying notes to the required supplementary information.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2019 (UNAUDITED)

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
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	0.0 Years (based on contribution rate calculated in 12/31/2018)
Asset Valuation Method	5 Year Smoothed Market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% Including Inflation
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule.

**TEXAS SUPPLEMENTARY INFORMATION
AND OTHER INFORMATION**

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

BUDGETARY COMPARISON SCHEDULE - PROPRIETARY FUND
For the Year Ended December 31, 2019

	<u>Actual</u>	<u>Original Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Charges for water service	\$ 968,309	\$ 842,815	\$ 125,494
Charges for sewer service	1,179,887	1,260,319	(80,432)
Investment earnings	81,236	15,000	66,236
Other	183,781	190,851	(7,070)
Total Revenues	<u>2,413,213</u>	<u>2,308,985</u>	<u>104,228</u>
EXPENDITURES/EXPENSES			
Operating			
Salaries, benefits, and payroll taxes*	539,666	561,551	21,885
Wastewater service	743,406	776,742	33,336
Repairs and maintenance	188,886	175,178	(13,708)
Professional fees	69,188	60,000	(9,188)
Contracted services	126,458	132,402	5,944
Utilities	78,345	79,618	1,273
Other supplies and expenses	118,146	97,630	(20,516)
Depreciation	306,764	250,000	(56,764)
Non-Operating			
Interest expense	152,509	61,250	(91,259)
Debt issuance costs and amortization of premium	281,907	-	(281,907)
Total Expenditures/Expenses	<u>2,605,275</u>	<u>2,194,371</u>	<u>(410,904)</u>
Excess (deficiency) of revenues over expenditures	(192,062)	114,614	(306,676)
FUND BALANCE - Beginning of Year	<u>8,286,750</u>	<u>8,286,750</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 8,094,688</u>	<u>\$ 8,401,364</u>	<u>\$ (306,676)</u>

*Includes the noncash changes from GASB 68 of (\$37,666).

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

TSI-1. SERVICES AND RATES
For the Year Ended December 31, 2019

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

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Security
<input type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input type="checkbox"/> Participates in joint venture, regional system, and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other (specify): _____		

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per ccf Over Minimum Use	Usage Levels
WATER:	\$ 8.85	-	N	\$ 0.99	0 TO 1
				\$ 1.13	2 TO 5
				\$ 1.22	6 TO 15
				\$ 2.09	16 TO 25
				\$ 2.76	26 TO 30
				\$ 5.30	31 TO 40
				\$ 8.48	41 TO 50
				\$ 9.54	51 TO 60
WASTEWATER:	\$ 13.20	-	N	\$ 10.60	61 TO unlimited
				\$ 3.14	0 TO 5
				\$ 3.67	6 TO unlimited
SURCHARGE:	\$ -	-	N	\$ -	__ TO __

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 24.12 Wastewater \$ 58.26

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

TSI-1. SERVICES AND RATES For the Year Ended December 31, 2019

b. Water and Wastewater Retail Connections

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	-	-	x 1.0	
<3/4"	2,003	2,000	x 1.0	2,000
1"	463	461	x 2.5	1,152.50
1-1/2"	18	18	x 5.0	90
2"	46	44	x 8.0	352
3"	2	2	x 15.0	30
4"	-	-	x 25.0	
6"	-	-	x 50.0	
8"	-	-	x 80.0	
10"	-	-	x 115.0	
Total Water	2,532	2,525	[REDACTED]	3,625
Total Wastewater	2,459	2,458	x 1.0	2,458

3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):

Gallons pumped into system:	332,541	Water Accountability Ratio: (Gallons billed / Gallons pumped) 77%
Gallons billed to customers:	257,248	

4. Standby Fees (authorized only under TWC Section 49.231):
The District does not levy Standby fees. - Section Not Applicable

5. Location of District - No changes from prior year.

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

TSI-2. DISTRICT EXPENSES For the Year Ended December 31, 2019

PERSONNEL EXPENSES (INCLUDING BENEFITS)*	\$ 539,666
PROFESSIONAL FEES	
Auditing	10,800
Legal	57,213
Engineering	450
Financial advisor	289,035
Other professional fees	725
PURCHASED SERVICES FOR RESALE	
Bulk water and wastewater service purchases	743,406
CONTRACTED SERVICES	126,458
UTILITIES	78,345
REPAIRS AND MAINTENANCE	188,886
ADMINISTRATIVE EXPENDITURES	
Directors' fees	8,780
Office supplies	5,717
Insurance	21,893
Other administrative expenditures	81,756
DEPRECIATION EXPENSE	306,764
CAPITAL OUTLAY	
Capitalized assets	-
Expenses not capitalized	-
SOLID WASTE DISPOSAL	-
AMORTIZATION	(7,128)
INTEREST EXPENSE	152,509
OTHER EXPENSES	-
TOTAL EXPENSES	<u>\$ 2,605,275</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
For the Year Ended December 31, 2019

	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at Year-End	Accrued Interest Receivable at End of Year
TexPool	1516-1111-000	1.61%	N/A	\$ 303,829	\$ -
Fellowship Federal Credit Union - Certificate of Deposit	7003-315	2.58%	1/31/2021	102,497	-
Security Service Federal Credit Union - Certificate of Deposit	45556807081	1.88%	2/3/2022	100,000	-
Security Service Federal Credit Union - Certificate of Deposit	45556807082	2.00%	12/10/2024	130,000	-
Firstmark Credit Union - Certificate of Deposit	604820-48	2.08%	12/16/2020	120,613	-
TOTALS				\$ 756,939	\$ -

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BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS For the Year Ended December 31, 2019

DUE DURING FISCAL YEARS ENDING	Series 2019A		
	Principle Due 03/01	Interest Due 03/01, 09/01	Total
2020	\$ 85,000	\$ 191,818	\$ 276,818
2021	110,000	187,918	297,918
2022	140,000	182,918	322,918
2023	145,000	177,218	322,218
2024	150,000	171,319	321,319
2025	155,000	165,219	320,219
2026	160,000	158,919	318,919
2027	170,000	152,319	322,319
2028	175,000	145,419	320,419
2029	180,000	138,319	318,319
2030	190,000	130,919	320,919
2031	200,000	123,119	323,119
2032	205,000	115,019	320,019
2033	215,000	106,619	321,619
2034	225,000	97,819	322,819
2035	230,000	88,719	318,719
2036	240,000	79,318	319,318
2037	250,000	69,519	319,519
2038	260,000	59,319	319,319
2039	270,000	48,719	318,719
2040	280,000	38,244	318,244
2041	295,000	27,822	322,822
2042	305,000	16,947	321,947
2043	315,000	5,709	320,709
	<u>\$ 4,950,000</u>	<u>\$ 2,679,197</u>	<u>\$ 7,629,197</u>

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS For the Year Ended December 31, 2019

DUE DURING FISCAL YEARS ENDING	Series 2019B		
	Principle Due 03/01	Interest Due 03/01, 09/01	Total
2020	\$ -	\$ 52,203	\$ 52,203
2021	25,000	70,025	95,025
2022	55,000	68,025	123,025
2023	60,000	65,150	125,150
2024	65,000	62,025	127,025
2025	65,000	58,775	123,775
2026	70,000	55,400	125,400
2027	75,000	52,525	127,525
2028	75,000	50,275	125,275
2029	75,000	47,650	122,650
2030	80,000	44,550	124,550
2031	85,000	41,250	126,250
2032	85,000	37,850	122,850
2033	90,000	34,350	124,350
2034	95,000	31,125	126,125
2035	95,000	28,275	123,275
2036	100,000	25,350	125,350
2037	105,000	22,275	127,275
2038	105,000	19,125	124,125
2039	110,000	15,900	125,900
2040	115,000	12,525	127,525
2041	115,000	9,075	124,075
2042	120,000	5,550	125,550
2043	125,000	1,875	126,875
	\$ 1,990,000	\$ 911,128	\$ 2,901,128

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS For the Year Ended December 31, 2019

DUE DURING FISCAL YEARS ENDING	Annual Requirements for All Series		
	Principle Due 03/01	Interest Due 03/01, 09/01	Total
2020	\$ 85,000	\$ 244,021	\$ 329,021
2021	135,000	257,943	392,943
2022	195,000	250,943	445,943
2023	205,000	242,368	447,368
2024	215,000	233,344	448,344
2025	220,000	223,994	443,994
2026	230,000	214,319	444,319
2027	245,000	204,844	449,844
2028	250,000	195,694	445,694
2029	255,000	185,969	440,969
2030	270,000	175,469	445,469
2031	285,000	164,369	449,369
2032	290,000	152,869	442,869
2033	305,000	140,969	445,969
2034	320,000	128,944	448,944
2035	325,000	116,994	441,994
2036	340,000	104,668	444,668
2037	355,000	91,794	446,794
2038	365,000	78,444	443,444
2039	380,000	64,619	444,619
2040	395,000	50,769	445,769
2041	410,000	36,897	446,897
2042	425,000	22,497	447,497
2043	440,000	7,584	447,584
	<u>\$ 6,940,000</u>	<u>\$ 3,590,325</u>	<u>\$ 10,530,325</u>

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

TSI-6. CHANGES IN LONG-TERM BONDED DEBT
For the Year Ended December 31, 2019

	Bond Issues	
	Series 2019A	Series 2019B
Interest Rate	4.00%	5.00%
Dates Interest Payable	03/01; 09/01	03/01; 09/01
Maturity Dates	3-01-2043	3-01-2043
Beginning Bonds Outstanding	\$ -	\$ -
Bonds Sold During the Fiscal Year	4,950,000	1,990,000
Bonds Retired During the Fiscal Year	-	-
Ending Bonds Outstanding	<u>\$ 4,950,000</u>	<u>\$ 1,990,000</u>
Interest Paid During the Fiscal Year	\$ 82,783	\$ -
Paying Agent's Name and City	UMB Bank Austin, TX	UMB Bank Austin, TX
Bond Authority:	Revenue Bonds	
Amount Authorized By Board	\$ 6,940,000	
Amount Issued	\$ 6,940,000	
Remaining To Be Issued	\$ -	

*The District has no taxing power and thereby, does not issue bonds supported by tax revenue.

Debt service fund cash and temporary investment balances as of December 31, 2019:	<u>\$ 146,360</u>
Average annual debt service payment (Principal ad Interest) for remaining term of all debt:	<u>\$ 438,764</u>

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES - FIVE YEARS

	Amount				
	2019	2018	2017	2016	2015
OPERATING REVENUES					
Water sales	\$ 968,309	\$ 790,258	\$ 790,258	\$ 667,621	\$ 704,726
Wastewater service charges	1,179,887	1,169,933	1,169,933	1,159,556	1,134,508
Tap connections and other revenue	183,781	255,069	255,069	202,462	198,647
Total Operating Revenues	2,331,977	2,215,260	2,215,260	2,029,639	2,037,881
OPERATING EXPENSES					
Personnel services	539,666	471,155	471,155	766,088	383,117
Professional fees	69,188	80,000	80,000	189,150	252,921
Contractual services	126,458	132,223	132,223	132,209	132,492
Wastewater services	743,406	762,252	762,252	716,873	677,846
Repairs and maintenance	188,886	109,653	109,653	130,465	129,467
Utilities	78,345	85,331	85,331	68,371	74,072
Other supplies and expenses	118,146	130,793	130,793	115,329	135,324
Depreciation	306,764	284,113	284,113	261,725	239,947
Total Operating Expenses	2,170,859	2,055,520	2,055,520	2,380,210	2,025,186
Operating Income (Loss)	161,118	159,740	159,740	(350,571)	12,695
NONOPERATING REVENUES (EXPENSES)					
Investment income	66,190	25,651	25,651	14,124	15,101
Interest expense	(152,509)	-	-	-	-
Other	(266,861)	(2,818)	-	-	-
Total Nonoperating Revenues (Expenses)	(353,180)	22,833	25,651	14,124	15,101
CHANGE IN NET POSITION	\$ (192,062)	\$ 182,573	\$ 185,391	\$ (336,447)	\$ 27,796
Average Annual Unpaid Bond Principal and Interest	\$ 438,764	\$ -	\$ -	\$ -	\$ -
Net Income (Loss) Before Interest Expense and Fiscal Fees	227,308	185,391	185,391	(336,447)	27,796
Coverage (Net Income as Adjusted Divided by Annual Debt Service Requirement)	1.22	N/A	N/A	N/A	N/A
Number of Water Customers at End of Year	2,493	2,484	2,482	2,462	2,313
Number of Sewer Customers at End of Year	2,422	2,412	2,413	2,402	2,298
Total Amount of Water Billed to Customers (in 1,000 of Gallons)	257,248	245,875	278,672	257,664	276,886

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
43.71 %	35.67 %	35.68 %	32.89 %	34.58 %
53.27	52.82	52.81	57.13	55.67
8.30	11.51	11.51	9.98	9.75
<u>105.28</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
24.36	21.27	21.27	37.75	18.80
3.12	3.61	3.61	9.32	12.41
5.71	5.97	5.97	6.51	6.50
33.56	34.41	34.41	35.32	33.26
8.53	4.95	4.95	6.43	6.35
3.54	3.85	3.85	3.37	3.63
5.33	5.90	5.90	5.68	6.64
13.85	12.83	12.83	12.90	11.77
<u>98.00</u>	<u>92.79</u>	<u>92.79</u>	<u>117.27</u>	<u>99.38</u>
<u>6.91</u>	<u>7.21</u>	<u>7.21</u>	<u>(17.27)</u>	<u>0.62</u>
2.84	1.16	1.16	0.70	0.74
(6.54)	-	-	-	-
<u>(11.44)</u>	<u>(0.13)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(15.14)</u>	<u>1.03</u>	<u>1.16</u>	<u>0.70</u>	<u>0.74</u>
<u>(8.23) %</u>	<u>8.24 %</u>	<u>8.37 %</u>	<u>(16.57) %</u>	<u>1.36 %</u>

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS For the Year Ended December 31, 2019

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, 2019	Expense Reimbursements December 31, 2019	Title at Year-End
<u>BOARD MEMBERS</u>				
Sue Alexander	11/18 - 11/22	\$ 1,780		President
Eugenia Snead	11/18 - 11/22	1,780		- Vice President
Gale Scheibler	11/16 - 11/20	1,780		- Treasurer
Eddie Guerrero	11/18 - 11/22	1,660		- Director
Fernando Richards, Jr	12/17 - 11/20	1,780		- Secretary
<u>KEY ADMINISTRATIVE PERSONNEL</u>				
David Wallace	5/15 - Present	76,204		- General Manager
<u>CONSULTANTS</u>				
Baker Tilly	2016-2019	10,800		- Accountants
Benson Design	2018-2019	725		- IT Consultant
Langley & Banack	2014-2019	76,107		- Attorney
Young Professional Services	2017-2019	289,110		- District Project Engineer

*\$307,554 of fees paid in current year are included in preliminary survey and investigation, capital asset additions and debt is

BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

**N1. ANNUAL FILING AFFIDAVIT
December 31, 2019**

THE STATE OF TEXAS §
COUNTY OF BEXAR §

I, Bertie S. Alexander 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 31 day of March 2020 its annual audit report for the fiscal year or period ended December 31, 2019, and that copies of the annual audit report have been filed in the District office, located at Windcrest, Bexar County, Texas.

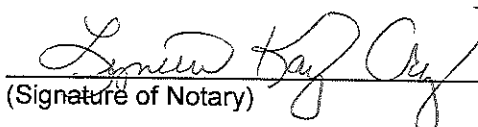
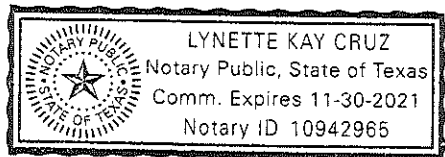
The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Water Code.

Date: March 31, 2020



Bertie S. Alexander

Sworn to and subscribed to before me this 31 day of March 2020.



(Signature of Notary)

Lynette Kay Cruz

(Printed Name of Notary)

My Commission Expires on: 11-30-2021
Notary Public in and for the State of Texas.

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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

Independent Auditors' Report

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

We have audited, 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, the financial statements of Bexar County Water Control and Improvement District No. 10 (District) as of and for the year ended December 31, 2019, and have issued our report thereon dated March 19, 2020.

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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 controls such that there is a reasonable possibility that a material misstatement of the entity'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. We consider the deficiencies described below to be material weaknesses.

2019-001: INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria

AU-C Section 265 requires auditors to report a material weakness if the District is not able to prepare its financial statements or has material adjusting journal entries.

2019-001: INTERNAL CONTROL OVER FINANCIAL REPORTING (cont.)

Condition

The auditors proposed and the District posted material adjusting journal entries in addition to the auditors preparing the annual financial statements.

Cause / Effect

Due to staffing and financial limitations, the District chose to contract with the auditors to prepare the annual financial statements. As a result, the District's financial records may be materially misstated before the annual audit is completed. In addition, the annual financial statements are not available to the District until they are completed by the auditors.

Recommendation

The board of directors needs to be aware of this condition. As a practical matter, the cost of adding staff to prepare financial statements is not feasible.

Management Response

The board of directors will continue to utilize the services of our audit firm to prepare the financial statements due to our limited staff size.

2019-002: INTERNAL CONTROLS - SEGREGATION OF DUTIES AND KEY CONTROLS

Criteria

AU-C section 265 requires auditors to communicate circumstances that were determined to be significant deficiencies or material weaknesses in the District's structure of internal control.

Condition

A properly designed system of internal control includes adequate staffing as well as policies and procedures to properly segregate duties. This includes systems that are designed to limit the access or control of any one individual to the District's assets or accounting records, and to achieve a higher likelihood that errors or irregularities in the District's accounting processes would be discovered by your staff in a timely manner.

At this time, due to staffing and financial limitations, the proper internal controls are not in place to achieve adequate segregation of duties.

There are also key controls, which are listed below, that are not currently in place at the District related to significant transaction cycles. These key controls are important in reducing the risk of errors or irregularities in the District's accounting processes.

- > Persons processing accounts payable should be separate from those ordering or receiving goods or services.
- > Persons processing payroll should be independent of other personnel duties and restricted from access to the payroll account.
- > The general ledger software is not secure and does not leave an audit trail for changed or deleted transactions.

2019-002: INTERNAL CONTROLS - SEGREGATION OF DUTIES AND KEY CONTROLS (cont.)

Cause / Effect

Due to staffing and financial limitations, certain controls are not easily implemented by the District. Errors or irregularities could occur as part of these financial processes that may not be discovered by District staff.

Recommendation

The board of directors needs to be aware of this condition. As a practical matter, the cost of adding staff or upgrading the general ledger to eliminate segregation of duties is not feasible. We do recommend that the District establish formal reconciliations and reviews, if feasible.

Management Response

We will continue to incorporate enhancements to internal controls when practical, but acknowledge that our staff size precludes us from segregation of duties in many accounting functions.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the District 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*. We noted certain matters that we reported to management of the District in a separate letter dated March 19, 2020.

Management's Response to the Findings

The District's written responses to the material weaknesses identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 an 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.

Baker Tilly Virchow Krause, LLP

Austin, Texas
March 19, 2020