

# **Bexar County Water Control and Improvement District No. 10**

Financial Statements and  
Supplementary Information

December 31, 2022 and 2021

## **Bexar County Water Control and Improvement District No. 10**

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Annual Financial Report

Years Ended December 31, 2022 and 2021

President	Sue Alexander
Vice-President	Fernando Richards, Jr.
Treasurer	Eugenia Snead
Secretary	Diana Tuttle
Secretary	Ann Marie Arnicar
Director	Rick Cockerham
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 of  
Bexar County Water Control and Improvement District No. 10

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the Bexar County Water Control and Improvement District No. 10 (District), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2022 and 2021, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of Matter*

As discussed in Note 1, the District adopted the provisions of GASB Statement No. 87, *Leases*, effective January 1, 2022. Accordingly, the accounting changes have been retroactively applied to prior period presented. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

### ***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 is the responsibility of management and, 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 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.

### ***Other Information***

Management is responsible for the Texas Supplementary Information as listed in the table of contents. The Texas Supplementary Information comprises other information but does not include the basic financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards*.**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2023 on our consideration of the District'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 solely 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 effectiveness of the District's 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 District's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Austin, Texas  
March 24, 2023

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **Bexar County Water Control and Improvement District No. 10**

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Management's Discussion and Analysis - Unaudited  
December 31, 2022 and 2021

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, 2022 and 2021. 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.

### **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 other information required by the Texas Commission on Environmental Quality.



## **Bexar County Water Control and Improvement District No. 10**

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Management's Discussion and Analysis - Unaudited  
December 31, 2022 and 2021

### **Financial Highlights**

#### **2022**

The assets and deferred outflows of resources of the District exceed its liabilities and deferred inflows of resources by \$8,547,315 (net position) for the fiscal year reported. This is an increase of \$302,689 from the prior year.

Total net position is comprised of the following:

1. Net investment in capital assets in the amount of \$5,956,084 includes all property and equipment owned by the District, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Net position restricted for net pension asset in the amount of \$142,412 includes the difference between the pension plan's net position and the actuarially calculated pension liability.
3. Net position restricted for debt service in the amount of \$172,945 includes the difference between the restricted debt service cash and restricted interest payable.
4. Unrestricted net position of \$2,275,874 represents the portion available to fund the District's operations.

Operating revenues increased by \$333,229, an increase of 12% from calendar year 2021. Water revenue increased 26% due to a 19% increase in water rates effective in late February of 2022 as well as an increase in consumption of 13%. Sewer revenues increased 1% due to a small increase in wastewater treated and a small increase in rates.

Operating expenses increased by \$9,060, an increase of 0.4% from calendar year 2021.

#### **2021**

The assets and deferred outflows of resources of the District exceed its liabilities and deferred inflows of resources by \$8,244,626 (net position) for the fiscal year reported. This is a decrease of \$28,860 from the prior year.

Total net position is comprised of the following:

1. Net investment in capital assets in the amount of \$5,929,876 includes all property and equipment owned by the District, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Net position restricted for net pension asset in the amount of \$38,998 includes the difference between the pension plan's net position and the actuarially calculated pension liability.
3. Net position restricted for debt service in the amount of \$162,500 includes the difference between the restricted debt service cash and restricted interest payable.
4. Unrestricted net position of \$2,113,252 represents the portion available to fund the District's operations.

## Bexar County Water Control and Improvement District No. 10

Management's Discussion and Analysis - Unaudited  
December 31, 2022 and 2021

Operating revenues increased by \$179,642, an increase of 7% from calendar year 2020. Water revenue increased 3% due to a 19% increase in water rates effective in late February of 2021 offset by a decrease in consumption of 7%. Sewer revenues increased 12% due to a 13% increase in wastewater treated and a small increase in rates.

Operating expenses increased by \$299,918, an increase of 13% from calendar year 2020. Depreciation expense increased by \$151,749, an increase of 47% from calendar year 2020 due to projects completed at the end of calendar year 2020 being depreciated for the full calendar year in 2021. Wastewater services expense increased by \$100,258, an increase of 12% due to an increase in wastewater treated.

### Financial Analysis

The District's net position at calendar year end is \$8,547,315. This is a \$302,689 increase over last year's net position of \$8,244,626. The following table provides a summary of the District's net position at December 31:

	Summary of Changes in Net Position Business-Type Activities			2022-2021 Amount Change	Percent Change
	2022	Restated 2021	2020		
Current and other assets	\$ 3,034,782	\$ 2,718,057	\$ 2,695,890	\$ 316,725	11.7%
Capital assets	12,739,586	12,931,332	13,246,594	(191,746)	(1.5%)
Total assets	15,774,368	15,649,389	15,942,484	124,979	0.8%
Deferred outflows of resources	67,277	65,146	31,423	2,131	3.3%
Current liabilities	466,574	414,657	521,790	51,917	12.5%
Noncurrent liabilities	6,594,869	6,822,485	7,040,159	(227,616)	(3.3%)
Total liabilities	7,061,443	7,237,142	7,561,949	(175,699)	(2.4%)
Deferred inflows of resources	232,887	232,767	138,472	120	0.1%
Net position:					
Net investment in capital assets	5,956,084	5,929,876	6,095,798	26,208	0.4%
Restricted for net pension asset	142,412	38,998	71,379	103,414	265.2%
Restricted for debt service	172,945	162,500	124,476	10,445	6.4%
Unrestricted	2,275,874	2,113,252	1,981,833	162,622	7.7%
Total net position	\$ 8,547,315	\$ 8,244,626	\$ 8,273,486	\$ 302,689	3.7%

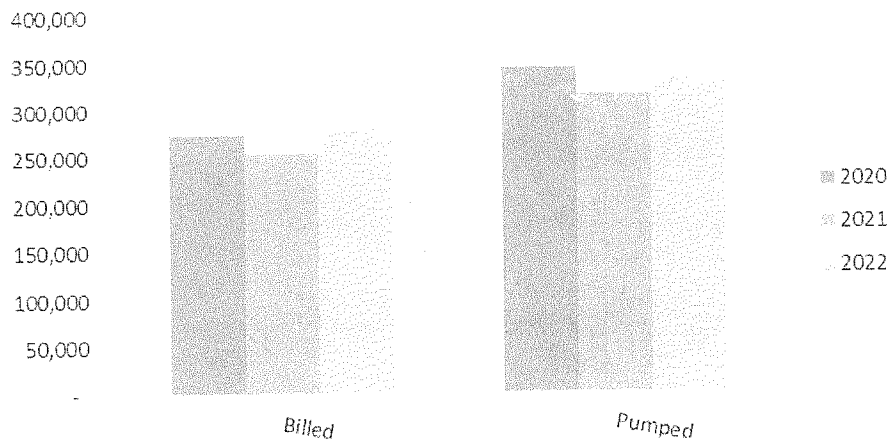
# Bexar County Water Control and Improvement District No. 10

Management's Discussion and Analysis - Unaudited  
December 31, 2022 and 2021

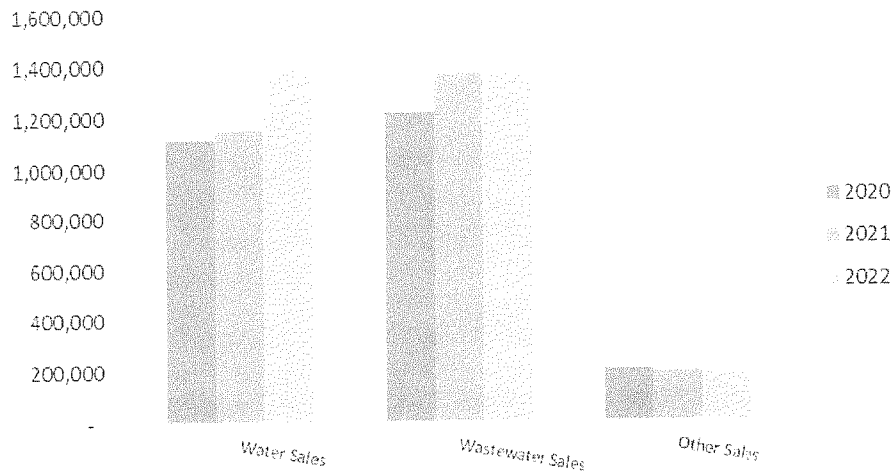
2022 had slightly more rainfall in the fall as compared to 2021. The aquifer slightly decreased its level in 2022 to 639 feet from 665 at the end of 2021. This resulted in a 13% increase in water consumption as well as a 19% increase in rates for overall increased revenues.

2021 had slightly more rainfall in the fall as compared to 2020. The aquifer slightly increased its level in 2021 to 665 feet from 663 at the end of 2020. This resulted in a 7% decrease in water consumption offset by a 19% increase in rates for overall increased revenues.

### Comparison of Gallons Pumped vs. Billed (in Thousands)



### Comparison of Revenues



## Bexar County Water Control and Improvement District No. 10

Management's Discussion and Analysis - Unaudited  
December 31, 2022 and 2021

Although revenues exceeded budget in 2022, 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 2022 slightly increased from 2021, \$7,058 versus \$6,935. The District had \$837,438 invested in certificates of deposit in 2022, which was a slight increase of \$2,388 from 2021. Inflation increased to 8% for the year compared to 7% in 2021. The District's options are limited by the State's public investment rules.

	Summary of Changes in Net Position Business-Type Activities			2022-2021 Amount Change	Percent Change
	2022	Restated 2021	2020		
Revenues:					
Changes for services	\$ 3,052,520	\$ 2,719,291	\$ 2,539,649	\$ 333,229	12.3%
Expenses:					
Operating expenses	2,531,682	2,522,622	2,222,704	9,060	0.4%
Other revenues (expenses):					
Gain on sale of property	-	-	13,210	-	-
Investment income	7,058	6,935	20,410	123	1.6%
Interest expenses	(248,161)	(256,060)	(261,218)	7,899	(3.1%)
Amortization of premium	22,954	23,596	22,045	(642)	(2.7%)
Total other revenues (expenses)	(218,149)	(225,529)	(205,553)	7,380	(3.3%)
Connection fees	-	-	132,810	-	-
Change in net position	302,689	(28,860)	244,202	332,691	1148.8%
Beginning net position	8,244,626	8,273,486	8,029,284	(28,860)	(0.3%)
Ending net position	\$ 8,547,315	\$ 8,244,626	\$ 8,273,486	\$ 303,831	3.7%

## Bexar County Water Control and Improvement District No. 10

Management's Discussion and Analysis - Unaudited  
December 31, 2022 and 2021

### Financial Analysis of the District's Operations

#### 2022

For the calendar year ended December 31, 2022, the District has an overall positive net position of \$8,547,315. Of this year-end total, \$2,275,874 is unrestricted, indicating availability for continuing service requirements. This year's increase in net position was \$302,689.

#### 2021

For the calendar year ended December 31, 2021, the District has an overall positive net position of \$8,244,626. Of this year-end total, \$2,113,252 is unrestricted, indicating availability for continuing service requirements. This year's decrease in net position was \$28,860.

### Capital Assets

#### 2022

The District's investment in capital assets, net of accumulated depreciation, as of December 31, 2022, was \$12,739,586. The total increase in this net investment was 1%. See Note 3 (on pages 20-21) for additional information about changes in capital assets during the calendar year.

In 2022, the District completed the construction related to the Windrock Crossings Project.

#### 2021

The District's investment in capital assets, net of accumulated depreciation, as of December 31, 2021, was \$12,931,332. The total decrease in this net investment was 2%. See Note 3 (on pages 20-21) for additional information about changes in capital assets during the calendar year.

	Summary of Changes in Net Position Business-Type Activities			2022-2021 Amount Change	Percent Change
	2022	2021	2020		
Nondepreciable assets:					
Land	\$ 10,776	\$ 10,776	\$ 10,776	\$ -	-
Water rights	2,091,790	2,091,790	2,091,790	-	-
Construction in progress	-	90,511	-	(90,511)	(100%)
Depreciable assets (net):					
Gathering and distributions systems	10,429,437	10,490,542	10,851,278	(61,105)	(0.6%)
Equipment	207,583	247,713	292,751	(40,130)	(16.2%)
Total	<u>\$ 12,739,586</u>	<u>\$ 12,931,332</u>	<u>\$ 13,246,595</u>	<u>\$ (191,746)</u>	(1.5%)

### Long-Term Debt

As of December 31, 2022, the District has a total revenue debt of \$6,525,000 outstanding compared to \$6,720,000 in 2021. In 2019, the District issued Revenue Notes 2019A and 2019B for \$4,950,000 and \$1,990,000, respectively, for financing improvements to the system.

## **Bexar County Water Control and Improvement District No. 10**

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Management's Discussion and Analysis - Unaudited  
December 31, 2022 and 2021

### **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. In 2018, the Board adopted the five-year rate increase recommended by the rate consultant and committee to be effective every February 23<sup>rd</sup> 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 in 2020, Phase I and Phase II projects were completed and placed into service.

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 District's 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  
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u> (Restated)
<b>Assets and Deferred outflows of Resources</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,266,502	\$ 1,047,496
Investments	837,657	835,269
Accounts receivable	230,514	229,030
Inventory	25,147	25,147
Prepayments	6,659	-
Lease receivable	28,043	27,227
Restricted assets:		
Cash and cash equivalents, customer deposits	29,283	25,944
Cash and cash equivalents, debt service	255,201	247,539
Total current assets	<u>2,679,006</u>	<u>2,437,652</u>
<b>Noncurrent Assets</b>		
Restricted assets:		
Cash and cash equivalents, construction	85	85
Net pension asset	142,412	38,998
Lease receivable	89,279	117,322
Preliminary survey and investigation	124,000	124,000
Capital assets:		
Land	10,776	10,776
Water rights	2,091,790	2,091,790
Gathering and distribution systems	17,123,549	16,891,855
Equipment	596,267	596,267
Construction in progress	-	90,511
Less accumulated depreciation	<u>(7,082,796)</u>	<u>(6,749,867)</u>
Total noncurrent assets	<u>13,095,362</u>	<u>13,211,737</u>
Total assets	<u>15,774,368</u>	<u>15,649,389</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows of resources, TCDRS	<u>67,277</u>	<u>65,146</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	85,435	73,549
Accrued expenses	64,600	35,125
Total current liabilities	<u>150,035</u>	<u>108,674</u>
<b>Current Liabilities Payable From Restricted Assets</b>		
Customer deposits	29,283	25,944
Current portion of long term debt	205,000	195,000
Interest payable	82,256	85,039
Total current liabilities payable from restricted assets	<u>316,539</u>	<u>305,983</u>
<b>Noncurrent Liabilities</b>		
Revenue notes payable	6,320,000	6,525,000
Unamortized debt premium	258,587	281,541
Accrued compensated absences	16,282	15,944
Total noncurrent liabilities	<u>6,594,869</u>	<u>6,822,485</u>
Total liabilities	<u>7,061,443</u>	<u>7,237,142</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources, TCDRS	115,565	88,218
Deferred inflows of resources, leases	117,322	144,549
Total deferred inflows of resources	<u>232,887</u>	<u>232,767</u>
<b>Net Position</b>		
Net investment in capital assets	5,956,084	5,929,876
Restricted for net pension asset	142,412	38,998
Restricted for debt service	172,945	162,500
Unrestricted	<u>2,275,874</u>	<u>2,113,252</u>
Total net position	<u>\$ 8,547,315</u>	<u>\$ 8,244,626</u>

See 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  
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u> (Restated)
<b>Operating Revenues</b>		
Charges for services:		
Water sales	\$ 1,454,777	\$ 1,156,241
Wastewater services	1,381,527	1,368,405
Other fees and assessments	216,216	194,645
	<u>3,052,520</u>	<u>2,719,291</u>
Total operating revenues		
<b>Operating Expenses</b>		
Personnel and benefits	551,740	575,570
Professional fees	94,213	70,777
Contractual services	130,687	118,584
Wastewater services	917,031	907,772
Repairs and maintenance	157,509	166,371
Utilities	97,677	89,493
Other supplies and expenses	142,763	117,758
Depreciation	440,062	476,297
	<u>2,531,682</u>	<u>2,522,622</u>
Total operating expenses		
Operating Income	<u>520,838</u>	<u>196,669</u>
<b>Nonoperating Revenues</b>		
Investment income	7,058	6,935
Interest expense	(248,161)	(256,060)
Amortization of premium	22,954	23,596
	<u>(218,149)</u>	<u>(225,529)</u>
Total nonoperating expenses		
Change in net position	302,689	(28,860)
<b>Net Position, Beginning</b>	<u>8,244,626</u>	<u>8,273,486</u>
<b>Net Position, Ending</b>	<u>\$ 8,547,315</u>	<u>\$ 8,244,626</u>

See notes to financial statements



## Bexar County Water Control and Improvement District No. 10

Statements of Cash Flows  
 Water and Wastewater - Proprietary Fund  
 Years Ended December 31, 2022 and 2021

	2022	2021 (Restated)
<b>Cash Flows From Operating Activities</b>		
Received from customers	\$ 3,054,375	\$ 2,676,945
Paid for personnel services	(551,740)	(575,570)
Paid to suppliers for goods and services	(1,583,038)	(1,519,066)
Net cash flows from operating activities	919,597	582,309
<b>Cash Flows From Capital and Related Financing Activities</b>		
Interest paid	(250,944)	(257,944)
Debt retired	(195,000)	(135,000)
Purchase of capital assets	(248,316)	(322,564)
Net cash flows from capital and related financing activities	(694,260)	(715,508)
<b>Cash Flows From Investing Activities</b>		
Investment income	7,058	6,935
Purchase of investments	(2,388)	(499,902)
Net cash flows from investing activities	4,670	(492,967)
Net change in cash and cash equivalents	230,007	(626,166)
<b>Cash and Cash Equivalents, Beginning</b>	1,321,064	1,947,230
<b>Cash and Cash Equivalents, Ending</b>	\$ 1,551,071	\$ 1,321,064
Cash and cash equivalents	\$ 1,266,502	\$ 1,047,496
Cash and cash equivalents, restricted	284,569	273,568
<b>Cash and Cash Equivalents, Ending</b>	\$ 1,551,071	\$ 1,321,064
<b>Reconciliation of Operating Income to Net Cash Flows From Operating Activities</b>		
Operating income	\$ 520,838	\$ 196,669
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	440,062	476,297
Changes to assets and liabilities:		
Accounts receivable	25,743	(36,263)
Prepayments	(6,659)	-
Accounts payable	11,884	2,825
Accrued compensated absences	338	922
Other current liabilities	29,477	(462)
Deferred inflow of resources from lease receivable	(27,227)	-
Customer deposits	3,339	(6,083)
Pension related deferrals and liability (asset)	(78,198)	(51,596)
Net cash flows from operating activities	\$ 919,597	\$ 582,309
<b>Schedule of Noncash Activities</b>		
Amortization of premium	\$ 22,954	\$ 23,596

See notes to financial statements

# **Bexar County Water Control and Improvements District No. 10**

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Notes to Financial Statements  
December 31, 2022 and 2021

## **1. Summary of Significant Accounting Policies**

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.

### **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.

### **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 2017, the GASB issued Statement No. 87, *Leases*. This statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under the statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, which enhances the relevance and consistency of information about the District's leasing activities. The District adopted this statement effective January 1, 2022, and retroactively applied to the prior year presented.

### **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 Improvements District No. 10**

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Notes to Financial Statements  
December 31, 2022 and 2021

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, 2022 and 2021, the District invested strictly in certificates of deposits 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. The following accounts are reported as restricted assets:

Debt service -	Used to segregate resources accumulated for debt service payments over the next twelve months.
Construction -	Used to report debt proceeds restricted for use in construction.
Customer deposits -	Used to segregate resources accumulated for deposits to be refunded to customers.

### **Leases**

The District is a lessor because it leases capital assets to other entities. As a lessor, the District reports a lease receivable and corresponding deferred inflow of resources in the financial statements. The District continues to report and depreciate the capital assets being leased as capital assets. The District has one lease receivable as relating to a Tower Lease with T-Mobile. The District entered into the lease on July 31, 2007, and the lease matures on July 31, 2026 with a 3% interest rate. The lease receivable balance as of December 31, 2022 and 2021 is \$117,322 and \$144,549 respectively. The District recognized \$28,043 and \$27,227 of lease revenue and \$817 and \$793 of interest revenue from the lease in 2022 and 2021, respectively.

## **Bexar County Water Control and Improvements District No. 10**

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Notes to Financial Statements  
December 31, 2022 and 2021

### **Prepayments**

Prepayments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items.

### **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.

### **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>Years</u>
Gathering and distribution systems	10-40
Machinery and 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 Improvements District No. 10**

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Notes to Financial Statements  
December 31, 2022 and 2021

### **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 TCDRS' fiduciary net position have been determined on the same basis as they are reported by TCDRS. 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. Revenue note premiums and discounts, are amortized over the life of the notes using the 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.

### **Net Position**

GASB No. 34 requires the classification of net position into three components - net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

**Net Investment in Capital Assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

**Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Position** - This component of net position consists of net positions that do not meet the definition of "restricted" or "net investment in capital assets."

## **Bexar County Water Control and Improvements District No. 10**

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Notes to Financial Statements  
December 31, 2022 and 2021

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

### **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.

### **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, 2022.

Current wastewater rates were approved by the board effective February 23, 2022.

### **Connection Fee**

The District charges new customers a connection fee to connect to the system. Fees collected are recorded as capital contributions on the statements of revenues, expenses and changes in net position.

### **Effect of New Accounting Standards on Current Period Financial Statements**

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 99, *Omnibus 2022*
- Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62*
- Statement No. 101, *Compensated Absences*

When they become effective, application of these standards may restate portions of these financial statements.

### **Comparative Data**

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

## Bexar County Water Control and Improvements District No. 10

Notes to Financial Statements  
December 31, 2022 and 2021

### 2. Cash and Investments

	Carrying Value		Risks
	2022	2021	
Checking and savings	\$ 1,550,956	\$ 1,320,950	Custodial credit
TexPool investment pool	115	114	Credit
Certificates of deposit	837,657	835,269	Custodial credit
Total	<u>\$ 2,388,728</u>	<u>\$ 2,156,333</u>	

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, 2022 and 2021.

#### 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.

The District's total deposits at banks as of December 31, 2022 and 2021 was \$2,476,277 and \$2,169,165, respectively. In addition, the District has collateral or depository agreements in the amount of \$1,789,873 and \$1,478,159 at December 31, 2022 and 2021, respectively. No deposits were exposed to custodial credit risk as of December 31, 2022 and 2021.

#### 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, 2022 and 2021, the District's pooled investments were rated AAA by Standard and Poor's.

## Bexar County Water Control and Improvements District No. 10

Notes to Financial Statements  
December 31, 2022 and 2021

### 3. Capital Assets

A summary of capital assets for the years ended December 31, 2022 and 2021 are as follows:

	2022			Balance December 31, 2022
	Balance January 1, 2022	Increases	Decreases	
Capital assets, not being depreciated:				
Land and easements	\$ 10,776	\$ -	\$ -	\$ 10,776
Construction in progress	90,511	268,776	(359,287)	-
Water rights	2,091,790	-	-	2,091,790
<b>Total capital assets, not being depreciated</b>	<b>2,193,077</b>	<b>268,776</b>	<b>(359,287)</b>	<b>2,102,566</b>
Capital assets being depreciated:				
Gathering and distribution systems	16,891,855	338,827	(107,133)	17,123,549
Equipment	596,267	-	-	596,267
<b>Total capital assets being depreciated</b>	<b>17,488,122</b>	<b>338,827</b>	<b>(107,133)</b>	<b>17,719,816</b>
Less accumulated depreciation for:				
Gathering and distribution systems	(6,401,314)	(399,930)	107,133	(6,694,111)
Equipment	(348,553)	(40,132)	-	(388,685)
<b>Total accumulated depreciation</b>	<b>(6,749,867)</b>	<b>(440,062)</b>	<b>107,133</b>	<b>(7,082,796)</b>
<b>Net accumulated depreciation</b>	<b>10,738,255</b>	<b>(103,596)</b>	<b>-</b>	<b>10,637,020</b>
<b>Net capital assets</b>	<b>\$ 12,931,332</b>	<b>\$ 167,541</b>	<b>\$ (359,287)</b>	<b>\$ 12,739,586</b>



## Bexar County Water Control and Improvements District No. 10

Notes to Financial Statements  
December 31, 2022 and 2021

	2021			Balance December 31, 2021
	Balance January 1, 2021	Increases	Decreases	
Capital assets, not being depreciated:				
Land and easements	\$ 10,776	\$ -	\$ -	\$ 10,776
Construction in progress	-	161,035	(70,524)	90,511
Water rights	2,091,790	-	-	2,091,790
Total capital assets, not being depreciated	2,102,566	161,035	(70,524)	2,193,077
Capital assets being depreciated:				
Gathering and distribution systems	16,821,331	70,524	-	16,891,855
Equipment	596,267	-	-	596,267
Total capital assets being depreciated	17,417,598	70,524	-	17,488,122
Less accumulated depreciation for:				
Gathering and distribution systems	(5,970,054)	(431,260)	-	(6,401,314)
Equipment	(303,516)	(45,037)	-	(348,553)
Total accumulated depreciation	(6,273,570)	(476,297)	-	(6,749,867)
Net accumulated depreciation	11,144,028	(405,773)	-	10,738,255
Net capital assets	\$ 13,246,594	\$ (244,738)	\$ (70,524)	\$ 12,931,332

#### 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 an annual comprehensive financial report (ACFR) on a calendar year basis. The most recent annual comprehensive financial report for TCDRS can be found at the following link, [www.tcdrs.org](http://www.tcdrs.org).

**Bexar County Water Control and Improvements District No. 10**

Notes to Financial Statements  
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**Benefits Provided**

All non-temporary full and part-time 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:

	<u>2021</u>	<u>2020</u>
Inactive employees or beneficiaries currently receiving benefits	5	5
Inactive employees entitled to but not yet receiving benefits	4	3
Active employees	<u>9</u>	<u>7</u>
Total	<u>18</u>	<u>15</u>

**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% for the 2022 and 2021 calendar years. The employee contribution rates are set by the District and are 7.0% for the 2022 and 2021 calendar years.

**Net Pension Liability (Asset)**

The District's net pension liability (asset) (NPL/NPA) recorded as of December 31, 2022 and 2021 was measured as of December 31, 2021 and 2020, 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, 2021 actuarial valuation is the most recent valuation.

## Bexar County Water Control and Improvements District No. 10

Notes to Financial Statements  
December 31, 2022 and 2021

### Actuarial Valuation Information

The total pension liability (asset) in the December 31, 2021 and 2020 actuarial valuations were determined using the following actuarial assumptions:

	2021	2020
Actuarial valuation dates	December 31, 2021	December 31, 2020
Actuarial cost method	Entry Age	Entry Age
	Level Percentage of Payroll,	Level Percentage of Payroll,
Amortization method	Closed	Closed
Amortization period	20.0 Years	20.0 Years
Asset valuation method	5 Year Smoothed Market	5 Year Smoothed Market
Actuarial assumptions:		
Investment Return*(includes administrative expenses)	7.5%	7.5%
Projected salary increases*	4.7%	4.6%
Inflation	7.5%	2.5%
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 used to measure the total pension liability (asset) as of December 31, 2021 consist of a general wage inflation component of 3.0% (made up of 2.5% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% per year for a career employee. The annual rates used to measure the total pension liability (asset) as of December 31, 2020 consist of a general wage inflation component of 3.0% (made up of 2.5% 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.

As of December 31, 2021, mortality rates for active members were based on gender-distinct Pub-2010 General Employees Amount-Weighted Mortality Table, projected with 100% of the MP-2021 Ultimate scale after 2010. Mortality rates for retirees, beneficiaries, and nonactive members were based on the gender-distinct Pub-2010 General Employees Amount-Weighted Mortality Table, projected with 100% of the MP-2021 Ultimate scale after 2010. For disabled annuitants, the gender-distinct Pub-2010 General Employees Amount-Weighted Mortality Table is used, projected with 100% of the MP-2021 Ultimate scale after 2010.

As of December 31, 2020, 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 used to measure the total pension liability (asset) as of December 31, 2021 and 2020 was 7.5%. 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.

## Bexar County Water Control and Improvements District No. 10

Notes to Financial Statements  
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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 the long-term expected return is re-assessed in detail at a minimum of every four years, and is set based on a long-term time horizon. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice.

The capital market assumptions and information are provided by TCDRS's investment consultants, Cliffwater LLC. The numbers shown are based on January 2022 and 2021 information for a 10-year time horizon.

Asset Class	Target Allocation <sup>(1)</sup>	2022 Geometric Real Rate of Return (Expected Minus Inflation) <sup>(2)</sup>	2021 Geometric Real Rate of Return (Expected Minus Inflation) <sup>(3)</sup>
U.S. equities	11.50 %	3.80 %	4.25 %
Global equities	2.50	4.10	4.55
International equities, developed	5.00	3.80	4.25
International equities, emerging	6.00	4.30	4.75
Investment-grade bonds	3.00	-0.85	-0.85
Strategic credit	9.00	1.77	2.11
Direct lending	16.00	6.25	6.70
Distressed debt	4.00	4.50	5.70
REIT equities	2.00	3.10	3.45
Master Limited Partnerships (MLPs)	2.00	3.85	5.10
Private real estate partnerships	6.00	5.10	4.90
Private equity	25.00	6.80	7.25
Hedge funds	6.00	1.55	1.85
Cash equivalents	2.00	-1.05	-0.70
Total	<u>100.00 %</u>		

- (1) Target asset allocation adopted at the March 2022 and March 2021 TCDRS Board meetings.
- (2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.6%, per Cliffwater's 2022 capital market assumptions
- (3) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.0%, per Cliffwater's 2021 capital market assumptions.

### Discount Rate

A single discount rate of 7.6% was used to measure the total pension liability (asset) as of December 31, 2021 and 2020. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, 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 Improvements District No. 10

Notes to Financial Statements  
December 31, 2022 and 2021

Changes in the net pension liability (asset) for the Years Ended December 31, 2022 and 2021 are as follows:

	2022		
	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at December 31, 2021	\$ 791,581	\$ 830,579	\$ (38,998)
Changes for the year:	45,997	-	45,997
Service cost	61,870	-	61,870
Interest on total pension liability	-	-	-
Effect of plan changes	16,771	-	16,771
Effect of assumptions changes or inputs	(803)	-	(803)
Benefit payments	(47,871)	(47,871)	-
Administrative expense	-	(546)	546
Member contributions	-	31,927	(31,927)
Net investment income	-	182,162	(182,162)
Employer contributions	-	13,546	(13,546)
Other	-	160	(160)
Net changes	75,964	255,343	(103,414)
Balance at December 31, 2022	<u>\$ 867,545</u>	<u>\$ 1,009,957</u>	<u>\$ (142,412)</u>
	2021		
	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at December 31, 2020	\$ 689,660	\$ 761,039	\$ (71,379)
Changes for the year:	40,830	-	40,830
Service cost	57,269	-	57,269
Interest on total pension liability	1,982	-	1,982
Effect of plan changes	9,090	-	9,090
Effect of economic/demographic gains or losses	40,621	-	40,621
Effect of assumptions changes or inputs	(47,871)	(47,871)	-
Benefit payments	-	(608)	608
Administrative expense	-	29,795	(29,795)
Member contributions	-	78,604	(78,604)
Net investment income	-	9,790	(9,790)
Employer contributions	-	(170)	170
Other	-	-	-
Net changes	101,921	69,540	32,381
Balance at December 31, 2021	<u>\$ 791,581</u>	<u>\$ 830,579</u>	<u>\$ (38,998)</u>

## Bexar County Water Control and Improvements District No. 10

Notes to Financial Statements  
December 31, 2022 and 2021

### 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 7.60%, 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 (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	2022		
	1% Decrease in Discount Rate (6.60%)	Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
Total pension liability	\$ 973,253	\$ 867,546	\$ 778,962
Fiduciary net position	(1,009,958)	(1,009,958)	(1,009,958)
District's net pension liability (asset)	\$ (36,705)	\$ (142,412)	\$ (230,996)

The following presents the net pension liability (asset) of the District, calculated using the discount rate of 7.6% 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 (6.6%) or 1-percentage-point higher (8.6%) than the current rate:

	2021		
	1% Decrease in Discount Rate (6.6%)	Discount Rate (7.6%)	1% Increase in Discount Rate (8.6%)
Total pension liability	\$ 885,234	\$ 791,581	\$ 713,029
Fiduciary net position	(830,579)	(830,579)	(830,579)
District's net pension liability (asset)	\$ 54,655	\$ (38,998)	\$ (117,550)

### 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](http://www.tcdrs.org).

### Pension Expense

For the years ended December 31, 2022 and 2021, the District recognized pension expense of \$(56,108) and \$(38,801), respectively.

**Bexar County Water Control and Improvements District No. 10**

Notes to Financial Statements  
December 31, 2022 and 2021

**Deferred Outflows and Inflows of Resources Related to Pensions**

At December 31, 2022, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 25,627	\$ -
Changes in actuarial assumptions	20,311	602
Net differences between projected and actual investment earnings	-	114,963
Contributions subsequent to the measurement date	<u>21,339</u>	<u>-</u>
Total	<u>\$ 67,277</u>	<u>\$ 115,565</u>

At December 31, 2021, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 21,255	\$ 59,343
Changes in actuarial assumptions	31,096	71
Differences between projected and actual investment earnings	-	28,804
Contributions subsequent to the measurement date	<u>12,795</u>	<u>-</u>
Total	<u>\$ 65,146</u>	<u>\$ 88,218</u>

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 ending December 31:	
2023	\$ (3,475)
2024	(19,023)
2025	(23,299)
2026	(23,830)
Thereafter	<u>-</u>
Total	<u>\$ (69,627)</u>

**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 Improvements District No. 10

Notes to Financial Statements  
December 31, 2022 and 2021

### 6. Long-Term Obligations

#### Revenue Notes

The following notes have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/22
03/27/2019	Improvements to the system	03/01/2043	4.0%	\$ 4,950,000	\$ 4,615,000
12/05/2019	Improvements to the system	03/01/2043	5.0	1,990,000	1,910,000

Revenue notes debt service requirements to maturity follows:

	Principal	Interest	Total
Year ending December 31:			
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
2028-2032	1,350,000	874,370	2,224,370
2033-2037	1,645,000	583,369	2,228,369
2038-2042	1,975,000	253,226	2,228,226
2043	440,000	7,584	447,584
Total	\$ 6,525,000	\$ 2,837,418	\$ 9,362,418

Long-term obligation activity for the year ended December 31, 2022 and 2021 is as follows:

	1/1/22 Balance	Additions	Reductions	12/31/22 Balance	Due Within One Year
Revenue notes	\$ 6,720,000	\$ -	\$ 195,000	\$ 6,525,000	\$ 205,000
Unamortized premium	281,541	-	22,954	258,587	-
Accrued compensation	15,944	14,426	14,088	16,282	-
Total	\$ 7,017,485	\$ 14,426	\$ 232,042	\$ 6,799,869	\$ 205,000

	1/1/21 Balance	Additions	Reductions	12/31/21 Balance	Due Within One Year
Revenue notes	\$ 6,855,000	\$ -	\$ 135,000	\$ 6,720,000	\$ 195,000
Unamortized premium	305,137	-	23,596	281,541	-
Accrued compensation	15,002	15,716	14,774	15,944	-
Total	\$ 7,175,139	\$ 15,716	\$ 173,370	\$ 7,017,485	\$ 195,000



**Bexar County Water Control and Improvements District No. 10**

Notes to Financial Statements  
December 31, 2022 and 2021

**7. Restatement**

The District restated the December 31, 2021 Statement of Net Position and Statement of Revenues, Expenses and Changes in Net position for the implementation of GASB 87, *Leases* as follows:

	<b>As Previously Reported, Year Ended December 31, 2021</b>	<b>Adjustments</b>	<b>As Restated, Year Ended December 31, 2021</b>
<b>Statement of Net Position</b>			
Assets and deferred outflows of resources:			
Current lease receivable	\$ -	\$ 27,227	\$ 27,227
Noncurrent lease receivable	-	117,322	117,322
Liabilities, deferred outflows nad net position:			
Deferred inflow of resources, leases	-	144,549	144,549
<b>Statement of Revenues, Expenses and Changes in Net Position</b>			
Other fees and assessments	195,439	(794)	194,645
Interest income	6,141	794	6,935

**8. Subsequent Events**

The District evaluated subsequent events through March 24, 2023, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Bexar County Water Control and Improvement District No. 10**

Schedule of Changes in the Employer's Net Pension Liability (Asset) and Related Ratios  
Last Ten Years \*  
(Unaudited)

	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>								
Service cost	\$ 45,997	\$ 40,830	\$ 35,389	\$ 33,131	\$ 33,216	\$ 33,858	\$ 30,781	\$ 29,315
Interest on the total pension liability	61,870	57,269	53,192	49,007	48,396	44,402	72,720	73,641
Effect of plan changes	-	1,982	-	-	-	-	(6,513)	-
Effect of assumption changes	(803)	40,621	-	-	(355)	-	4,411	-
Effect of economic/demographic (gains) or losses	16,771	9,090	14,790	12,948	(28,615)	2,319	(375,340)	1,464
Benefit payments/refunds of contributions	(47,871)	(47,871)	(68,676)	(23,559)	(65,657)	(30,826)	(123,744)	(107,531)
Net change in total pension liability	75,964	101,921	34,695	71,527	(13,013)	49,753	(397,685)	(3,111)
Total Pension Liability, Beginning	791,581	689,660	654,965	583,438	596,451	546,698	944,383	947,494
Total Pension Liability, Ending (a)	\$ 867,545	\$ 791,581	\$ 689,660	\$ 654,965	\$ 583,438	\$ 596,451	\$ 546,698	\$ 944,383
<b>Fiduciary Net Position</b>								
Employer contributions	\$ 13,546	\$ 9,790	\$ 30,471	\$ 28,942	\$ 25,340	\$ 24,887	\$ 23,915	\$ 22,045
Member contributions	31,927	29,795	28,824	27,378	23,971	23,542	21,751	19,759
Investment income, net of investment expenses	182,162	78,604	108,792	(11,571)	83,546	38,224	18,197	62,536
Benefit payments/refunds of contributions	(47,871)	(47,871)	(68,676)	(23,559)	(65,657)	(30,826)	(123,744)	(107,531)
Administrative expense	(546)	(608)	(560)	(532)	(426)	(415)	(519)	(716)
Other	160	(170)	(213)	1,040	(223)	(12,367)	(340,794)	7,284
Net change in plan fiduciary net position	179,376	69,540	98,618	21,698	66,551	43,045	(401,194)	3,377
Plan Fiduciary Net Position, Beginning	830,579	761,039	662,421	640,723	574,172	531,127	932,321	928,944
Plan Fiduciary Net Position, Ending (b)	\$ 1,009,957	\$ 830,579	\$ 761,039	\$ 662,421	\$ 640,723	\$ 574,172	\$ 531,127	\$ 932,321
Net Pension Liability (Asset) - (b)	\$ (142,412)	\$ (38,998)	\$ (71,379)	\$ (7,456)	\$ (57,285)	\$ 22,279	\$ 15,571	\$ 12,062
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	116.42%	104.93%	110.35%	101.14%	109.82%	96.26%	97.15%	98.72%
Covered Payroll	\$ 456,096	\$ 425,649	\$ 411,775	\$ 391,111	\$ 342,438	\$ 336,315	\$ 310,729	\$ 282,271
Net Pension Liability (Asset) as a Percentage of Total Covered Payroll	-31.22%	-9.16%	-17.33%	-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 eighth year of implementation of GASB Statement No. 68. The District will develop and present this schedule prospectively.

See notes to required supplementary information

**Bexar County Water Control and Improvement District No. 10**

## Schedule of Employer Contributions

Last Ten Fiscal Years \*

(Unaudited)

<u>Years Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2022	\$ 21,339	\$ 21,339	\$ -	\$ 359,528	5.9%
2021	12,588	13,546	(958)	456,096	3.0%
2020	9,790	9,790	-	425,649	2.3%
2019	9,471	30,471	(21,000)	411,775	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 eighth year of implementation of GASB Statement No. 68. The District will develop and present the schedule prospectively.

## Bexar County Water Control and Improvements District NO. 10

Notes to Required Supplementary Information (unaudited)  
Year Ended December 31, 2022

### 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	19.4 Years (based on contribution rate calculated in 12/31/2022 valuation)
Asset Valuation Method	5 Year smoothed market
Inflation	2.5%
Salary Increases	Varies by age and service. 4.7% average over career including inflation
Investment Rate of Return	7.50%, net of administrative and 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	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010
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. 2019: New inflation, mortality and other 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. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the schedule

## OTHER INFORMATION

**Bexar County Water Control and Improvement District No. 10**Budgetary Comparison Schedule - Proprietary Fund  
Year Ended December 31, 2022

	<u>Actual</u>	<u>Original Budget</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Charges for water service	\$ 1,454,777	\$ 1,100,319	\$ 354,458
Charges for sewer service	1,381,527	1,340,200	41,327
Investment earnings	7,058	15,000	(7,942)
Other	216,216	195,319	20,897
<b>Total revenues</b>	<u>3,059,578</u>	<u>2,650,838</u>	<u>408,740</u>
<b>Expenditures/Expenses</b>			
Operating:			
Salaries, benefits and payroll taxes*	551,740	633,257	81,517
Wastewater service	917,031	920,000	2,969
Repairs and maintenance	157,509	174,574	17,065
Professional fees	94,213	60,000	(34,213)
Contracted services	130,687	179,685	48,998
Utilities	97,677	94,000	(3,677)
Other supplies and expenses	142,763	68,000	(74,763)
Depreciation	440,062	420,000	(20,062)
Nonoperating:			
Interest expense	248,161	-	(248,161)
Amortization of premium	(22,954)	-	22,954
<b>Total expenditures/expenses</b>	<u>2,756,889</u>	<u>2,549,516</u>	<u>(207,373)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	302,689	101,322	201,367
<b>Fund Balance, Beginning</b>	<u>8,244,626</u>	<u>8,244,626</u>	<u>-</u>
<b>Fund Balance, Ending</b>	<u>\$ 8,547,315</u>	<u>\$ 8,345,948</u>	<u>\$ 201,367</u>

\* Includes the noncash changes from GASB 68 of (\$56,108).

**Bexar County Water Control and Improvement District No. 10**

TSI-1. Services and Rates  
Year Ended December 31, 2022

**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
Participates in joint venture, regional system, and/or wastewater service (other than emergency interconnect)		
Other (specify): _____		

**2. Retail Service Providers**

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per ccf Over Use</u>	<u>Usage Levels</u>
Water	\$ 14.17	-	N	1.29 1.75 1.79 2.39 2.76 5.30 8.48 9.54 10.60	0 to 1 2 to 5 6 to 15 16 to 25 26 to 30 31 to 40 41 to 50 51 to 60 61 to unlimited
Wastewater	\$ 15.26	-	N	3.22 3.67	0 to 5 6 to unlimited
Surcharge	\$ -	-	N	0	___ to ___
District employs winter averaging for wastewater usage?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No			
Total charges per 10,000 gallons usage:		Water	\$ 22.61	Wastewater	\$ 60.72

**b. Water and Wastewater Retail Connections**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	-	-	x 1.0	-
<3/4"	2,005	2,003	x 1.0	2,003
1"	464	463	x 2.5	1,158
1-1/2"	19	19	x 5.0	95
2"	56	55	x 8.0	440
3"	4	4	x 15.0	60
4"	-	-	x 25.0	-
6"	-	-	x 50.0	-
8"	-	-	x 80.0	-
10"	-	-	x 115.0	-
Total Water	2,548	2,544		3,756
Total Wastewater	2,465	2,459	x 1.0	2,459

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

Gallons pumped into system:	<u>338,177</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>287,990</u>	(Gallons billed / Gallons pumped)
		<u>85%</u>

**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

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TSI-2. District Expenses  
Year Ended December 31, 2022

<b>Personnel Expenses (Including Benefits) *</b>	\$ 551,740
<b>Professional Fees</b>	
Auditing	14,621
Legal	78,747
Engineering	-
Financial advisor	-
Other professional fees	845
<b>Purchased Services for Resale</b>	
Bulk water and wastewater service purchases	917,031
<b>Contracted Services</b>	130,687
<b>Utilities</b>	97,677
<b>Repairs and Maintenance</b>	157,509
<b>Administrative Expenses</b>	
Directors' fees	9,000
Office supplies	6,364
Insurance	24,820
Other administrative expenditures	102,579
<b>Depreciation Expense</b>	440,062
<b>Capital Outlay</b>	
Capitalized assets	-
Expenses not capitalized	-
<b>Solid Waste Disposal</b>	-
<b>Amortization</b>	(22,954)
<b>Interest Expense</b>	248,161
<b>Other Expenses</b>	-
	<hr/>
Total expenses	<u>\$ 2,756,889</u>

\* Number of persons employed by the district: 7 Full-time 1 Part-time

**Bexar County Water Control and Improvement District No. 10**

TSI-3. Temporary Investments  
Year Ended December 31, 2022

	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at Year-End	Accrued Interest Receivable at End of Year
TexPool	1516-1111-000	0.50%	N/A	\$ 115	\$ -
Randolph Brooks Federal Credit Union, Certificate of Deposit	7003-315	0.50%	February 5, 2023	232,465	-
Frost Bank, Certificate of Deposit	9700286293	0.15%	October 19, 2023	125,000	-
Firstmark Federal Credit Union, Certificate of Deposit	604820-40	0.40%	March 12, 2023	124,133	-
Firstmark Federal Credit Union, Certificate of Deposit	604820-49	0.40%	October 20, 2023	125,841	-
Security Service Federal Credit Union, Certificate of Deposit	45556807081	1.09%	February 3, 2023	100,000	-
Security Service Federal Credit Union, Certificate of Deposit	45556807082	1.98%	December 10, 2024	<u>130,218</u>	-
Total				<u>\$ 837,772</u>	-

## Bexar County Water Control and Improvement District No. 10

TSI-5. Long-Term Debt Service Requirements  
Year Ended December 31, 2022

Due During Fiscal Years Ending	Series 2019A Revenue Notes		
	Principle Due 03/01	Interest Due 03/01, 09/01	Total
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>\$ 4,615,000</u>	<u>\$ 2,116,543</u>	<u>\$ 6,731,543</u>

**Bexar County Water Control and Improvement District No. 10**

TSI-5. Long-Term Debt Service Requirements  
 Year Ended December 31, 2022

Due During Fiscal Years Ending	Series 2019B Revenue Notes		
	Principle Due 03/01	Interest Due 03/01, 09/01	Total
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
	<u>\$ 1,910,000</u>	<u>\$ 720,875</u>	<u>\$ 2,630,875</u>

## Bexar County Water Control and Improvement District No. 10

TSI-5. Long-Term Debt Service Requirements  
 Year Ended December 31, 2022

Due During Fiscal Years Ending	Annual Requirements for All Series		
	Principle Due 03/01	Interest Due 03/01, 09/01	Total
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>\$ 6,525,000</u>	<u>\$ 2,837,418</u>	<u>\$ 9,362,418</u>

## Bexar County Water Control and Improvement District No. 10

TSI-6. Changes in Long-Term Bonded Debt  
Year Ended December 31, 2022

	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	\$ 4,755,000	\$ 1,965,000
Bonds sold during the fiscal year	-	-
Bonds retired during the fiscal year	140,000	55,000
Ending bonds outstanding	<u>\$ 4,615,000</u>	<u>\$ 1,910,000</u>
Interest paid during the fiscal year	\$ 182,918	\$ 68,025
Paying agent's name and city	UMB Bank Austin, TX	UMB Bank Austin, TX
	<b>Revenue</b>	
<b>Bond Authority</b>	<b>Bonds</b>	
Amount authorized by Board	\$ -	
Amount issued	-	
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, 2022:	<u>\$ 255,201</u>
Average annual debt service payment (Principal and Interest) for remaining term of all debt:	<u>\$ 445,829</u>

**Bexar County Water Control and Improvement District No. 10**

TSI-7, Comparative Schedule of Revenues and Expenses - Five Years  
Year Ended December 31, 2022

	Amount					Percent of Fund Total Revenues				
	2022	2021 (Restated)	2020	2019	2018	2022	2021	2020	2019	2018
<b>Operating Revenues</b>										
Water sales	\$ 1,454,777	\$ 1,156,241	\$ 1,118,038	\$ 968,309	\$ 790,258	47.66 %	42.51 %	44.02 %	41.52 %	35.67 %
Wastewater service charges	1,381,527	1,368,405	1,217,060	1,179,887	1,169,933	45.28	50.31	47.92	50.60	52.82
Tap connections and other revenue	218,216	194,645	204,551	183,781	255,089	7.08	7.19	8.05	7.88	11.51
<b>Total operating revenues</b>	<b>3,052,520</b>	<b>2,719,291</b>	<b>2,539,649</b>	<b>2,331,977</b>	<b>2,215,280</b>	<b>100.00</b>	<b>100.01</b>	<b>99.99</b>	<b>100.00</b>	<b>100.00</b>
<b>Operating Expenses</b>										
Personnel services	551,740	575,570	547,053	539,668	471,155	18.07	21.16	21.54	23.14	21.27
Professional fees	94,213	70,777	81,737	69,188	80,000	3.09	2.60	3.22	2.97	3.61
Contractual services	130,687	118,564	147,740	126,458	132,223	4.28	4.36	5.82	5.42	5.97
Wastewater services	917,031	907,772	807,514	808,810	762,252	30.04	33.37	31.80	34.68	34.41
Repairs and maintenance	157,509	166,371	120,550	188,896	109,653	5.16	6.12	4.75	8.10	4.95
Utilities	97,677	89,493	81,133	78,345	85,331	3.20	3.29	3.19	3.36	3.85
Other supplies and expenses	142,763	117,758	112,429	118,146	130,793	4.68	4.33	4.43	5.07	5.90
Depreciation	440,062	476,297	324,548	306,764	284,113	14.42	17.51	12.78	13.15	12.83
<b>Total operating expenses</b>	<b>2,531,682</b>	<b>2,522,622</b>	<b>2,222,704</b>	<b>2,236,263</b>	<b>2,055,520</b>	<b>82.94</b>	<b>92.74</b>	<b>87.53</b>	<b>95.69</b>	<b>92.79</b>
<b>Operating income (loss)</b>	<b>520,838</b>	<b>196,669</b>	<b>316,945</b>	<b>95,714</b>	<b>159,740</b>	<b>17.1</b>	<b>7.3</b>	<b>12.50</b>	<b>4.10</b>	<b>7.21</b>
<b>Nonoperating Revenues (Expenses)</b>										
Investment income	7,058	6,935	20,410	66,190	25,651	0.23	0.23	0.80	2.84	1.16
Interest expense	(248,161)	(256,060)	(261,218)	(152,509)	-	(8.13)	(9.41)	(10.29)	(6.5)	-
Connection fees	-	-	132,810	-	-	-	-	5.23	-	-
Other	22,954	23,596	35,255	(268,861)	(2,818)	0.75	0.87	1.39	(11.44)	(0.1)
<b>Total nonoperating revenues (expenses)</b>	<b>(218,149)</b>	<b>(225,529)</b>	<b>(72,743)</b>	<b>(353,180)</b>	<b>22,833</b>	<b>(7.15)</b>	<b>(8.31)</b>	<b>(2.87)</b>	<b>(15.1)</b>	<b>1.06</b>
<b>Change in net position</b>	<b>\$ 302,689</b>	<b>\$ (28,860)</b>	<b>\$ 244,202</b>	<b>\$ (257,466)</b>	<b>\$ 182,573</b>	<b>9.91 %</b>	<b>(1.04) %</b>	<b>9.59 %</b>	<b>(11.04) %</b>	<b>8.24 %</b>
<b>Average Annual Unpaid Bond Principal and Interest</b>	<b>\$ 445,829</b>	<b>\$ 445,835</b>	<b>\$ 443,535</b>	<b>\$ 438,764</b>	<b>\$ -</b>					
<b>Net Income (Loss) Before Interest Expense and Fiscal Fees</b>	<b>527,696</b>	<b>203,604</b>	<b>337,355</b>	<b>161,904</b>	<b>185,391</b>					
<b>Coverage (Net Income as Adjusted Divided by Annual Debt Service Requirement)</b>	<b>2.17</b>	<b>1.53</b>	<b>1.79</b>	<b>1.07</b>	<b>N/A</b>					
<b>Number of Water Customers, Ending</b>	<b>2,493</b>	<b>2,504</b>	<b>2,480</b>	<b>2,493</b>	<b>2,484</b>					
<b>Number of Sewer Customers, Ending</b>	<b>2,424</b>	<b>2,431</b>	<b>2,409</b>	<b>2,422</b>	<b>2,412</b>					
<b>Total Amount of Water Billed to Customers (in 1,000 of Gallons)</b>	<b>287,990</b>	<b>255,383</b>	<b>274,280</b>	<b>257,248</b>	<b>245,875</b>					

**Bexar County Water Control and Improvement District No. 10**

TSI-8. Board Members, Key Personnel and Consultants  
Year Ended December 31, 2022

**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

<u>Name</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office December 31, 2022</u>	<u>Expense Reimbursements December 31, 2022</u>	<u>Title at Year-End</u>
<b>Board Members</b>				
Sue Alexander	11/12-11/22	\$ 1,880	\$ -	President
Fernando Richards, Jr	12/17-11/24	1,880	-	Vice President
Eugenia Snead	11/12-11/22	1,880	-	Treasurer
Diana Tuttle	8/20-11/24	1,320	-	Secretary
Rick Cockerham	1/22-11/26	1,760	-	Director
Ann Marie Arnicar	11/22-11/24	280	-	Secretary
<b>Key Administrative Personnel</b>				
David Wallace	5/15-Present	81,134	-	General Manager
<b>Consultants</b>				
Baker Tilly	2016-2022	14,621	-	Accountants
Benson Design	2016-2022	845	-	IT Consultant
Langley & Banack	2016-2022	78,747	-	Attorney



**Bexar County Water Control and Improvements District NO. 10**

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N1. Annual Filing Affidavit  
Year Ended December 31, 2022

THE STATE OF TEXAS §

COUNTY OF BEXAR §

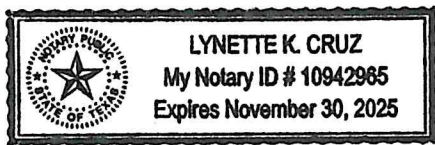
I, Bertie S. Alexander of the BEXAR COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10 hereby swear, or affirm that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 20<sup>th</sup> day of April 2023 its annual audit report for the fiscal year or period ended December 31, 2022, 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: April 20<sup>th</sup>, 2023

Bertie S. Alexander *Bertie S. Alexander*

Sworn to and subscribed to before me this 20<sup>th</sup> day of April 2023.



*Lynette K. Cruz*  
(Signature of Notary)

Lynette K. Cruz  
(Printed Name of Notary)

My Commission Expires on: 11/30/2025  
Notary Public in and for the State of Texas.

**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 of  
Bexar County Water Control and Improvement District No. 10

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Bexar County Water Control and Improvement District No. 10 (the District), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2023. Our report includes an emphasis of matter due to the District adopting the provisions of GASB Statement No. 87, *Leases*, effective January 1, 2022. Accordingly, the accounting changes have been retroactively applied to prior period presented. Our opinion is not modified with respect to this matter.

**Report on 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) as a basis for designing 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.

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

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

## 2022-001: 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.

*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.

## 2022-002: 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.
- Account reconciliations (accounts payable, retainages, payroll accruals) should be reviewed and approved by someone other than the preparer.
- There should be an appropriate system for review and approval of vendors.

*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.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Baker Tilly US, LLP*

Austin, Texas  
March 24, 2023