BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2016

CONTENTS

Gregory R. Seibert
CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

February 28, 2017

To the Board of Directors
Bexar-Medina-Atascosa Counties Water Control
and Improvement District No. 1
Natalia, Texas

I have audited the accompanying financial statements of the Bexar-Medina-Atascosa Counties Water Control and Improvement District No. 1 (the District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, except for the omission of the information discussed in the subsequent paragraph and as discussed in note 5, the financial statements referred to above present fairly, in all material respects, the financial position of the Bexar-Medina-Atascosa Counties Water Control and Improvement District No. 1 as of December 31, 2016, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Emphasis of Matters

As discussed in note 5 to the financial statements, the District has not determined the quantity and value of land acquired for operation and expansion of the irrigation system since the District's creation in 1925. The District's records do not permit the application of alternative procedures regarding the value of such land at the time of acquisition.

Other Matter

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 5, the schedule of changes in net pension liability and related ratios on page 33 and the schedule of employer contributions on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Gregory R. Seibert

GREGORY R. SEIBERT
CERTIFIED PUBLIC ACCOUNTANT

BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2016

The discussion and analysis of the Bexar-Medina-Atascosa Counties Water Control and Improvement District No. 1's (the District) financial performance provides an overview and analysis of the District's financial activities for the year ended December 31, 2016 It should be read in conjunction with the audited financial statements, which can be found following the MD&A.

District Overview

During the year ended December 31, 2016, the District experienced an end to the drought conditions of the last several years. As a result, deliveries of irrigation water to its customers resumed in 2016. The major projects continued on pace with no substantial changes. There were no significant changes to management or other key employees of the District.

FINANCIAL HIGHLIGHTS

The assets of the District exceeded its liabilities at the close of the year ending December 31, 2016 by $21,714,782. Of that amount, $6,834,322 (unrestricted net position) may be used to meet the District's ongoing obligations to landowners and creditors.

The District's total net position increased by $979,732 for the year ended December 31, 2016.

The District's operating revenues increased $207,688 over the prior year.

The District's ending total assets equaled $24,611,258, which represents a .7% decrease over the prior year.

The District's total debt decreased by $1,095,000 during the year ending December 31, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the District's financial statements. The District's financial statements are comprised of two components, government-wide financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net assets 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 presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Reporting the District's Most Significant Funds

The District is a special-purpose government that is engaged only in a business-type activity, which is the sale of water for irrigation and municipal purposes.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning budgetary comparative information

THE DISTRICT AS A WHOLE

The District's net position was $21,714,782 as of December 31, 2016. By far the largest portion of the District's net position (67 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, etc.), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to landowners; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1 - Summary of Net Position

	2015	2016	Increase (Decrease)	Percent Change
Current and other assets	$ 7,601,735	$ 7,366,272	$ (235,463)	(03.09)%
Capital assets	17,191,103	17,244,986	53,883	00.31%
Total assets	24,792,838	24,611,258	(181,580)	(00.73)%
Current liabilities	449,278	291,476	(157,802)	(35.12)%
Long-term liabilities	3,608,510	2,605,000	(1,003,510)	(27.81)%
Total liabilities	4,057,788	2,896,476	(1,161,312)	(28.62)%
Net position:				
Invested in capital assets, net of related debt	13,491,103	14,639,986	1,148,883	08.52%
Restricted for debt service	331,481	240,474	(91,007)	(27.45)%
Unrestricted	6,912,466	6,834,322	(78,144)	(01.13)%
Total net position	$ 20,735,050	$ 21,714,782	$ 979,732	04.73%

THE DISTRICT'S FUNDS

Table 1 below presents a summary of revenues for 2015 and 2016 and the amount of change in relation to the prior year.

Table 1 - Revenues

	2015	2016	Increase (Decrease)	Percent Change
Municipal water sales	$ 2,596,620	$ 2,696,490	$ 99,870	03.85%
Fixed water assessments	358,383	352,098	(6,285)	(01.75)%
Irrigation water sales	107,155	117,484	10,329	09.64%
Investment earnings	56,162	46,474	(9,688)	(17.25)%
Other	95,686	116,551	20,865	21.81%
	$ 3,214,006	$ 3,329,097	$ 115,091	03.58%

The Table 2 below represents a summary of expenses for 2015 and 2016 and the amount of change in relation to the prior year.

Table 2 - Expenses

	2015	2016	Increase (Decrease)	Percent Change
Payroll	$ 846,677	$ 877,078	$ 30,401	03.59%
Professional fees	246,835	194,773	(52,062)	(21.09)%
Contracted services	27,453	56,262	28,809	10.49%
Maintenance and repairs	24,389	37,718	13,329	54.65%
Insurance	177,868	184,408	6,540	03.68%
Materials	170,700	174,914	4,214	02.47%
Taxes	70,852	68,328	(2,524)	(03.56)%
Operations	616,389	595,201	(21,188)	(03.43)%
Interest	169,380	160,683	(8,697)	(05.13)%
	$ 2,350,543	$ 2,349,365	$ 1,178	00.05%

Budgetary highlights

The District reported overall revenues of $3,329,097 versus the budget estimate of $3,600,545 for a negative variance of $271,448.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2016 the District had $17,244,986 invested in capital assets, including land, dam, water system, equipment, vehicles, etc. This amount represents a net increase (additions, deductions, and depreciation) of $53,883.

	2015	2016
Land	$ 417,377	$ 417,377
Buildings	183,508	183,508
Machinery and equipment	2,299,166	2,468,638
Dam and water system	18,741,082	18,929,313
Vehicles	549,238	511,656
Other	98,767	99,230
	22,289,138	22,609,722
Accumulated depreciation	(5,098,035)	(5,364,736)
	$17,191,103	$17,244,986

Debt Outstanding

At year end the District had $2,605,000 of contract revenue notes outstanding. These notes were issued in 2010 and are to finance the water system rehabilitation project.

REQUEST FOR INFORMATION

This financial report is designed to provide our landowners, customers, 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 concerning any of the information provided in this report or requests for additional financial information, contact the District at P.O. Box 170, Natalia, Texas 78059.

BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

STATEMENT OF NET POSITION

December 31, 2016

ASSETS

Current asset:	
Cash	$ 6,961,335
Accounts receivable:	
Fixed water assessments - net	85,600
Other	42,142
Inventory	41,110
Accrued interest	11,064
Prepaid expenses	113,603
Total current assets	7,254,854
Capital assets	17,244,986
Contract revenue note discount	9,166
Deferred outflows - pension	101,144
Other	1,108
	17,356,404
Total assets and deferred outflow of resources	$ 24,611,258

LIABILITIES

Accounts payable	27,677
Deferred revenue	147,862
Accrued liabilities	72,460
Contract revenue notes	2,605,000
Net pension liability	43,477
Total liabilities	2,896,476

NET POSITION

Invested in capital assets, net of related debt	14,639,986
Restricted for debt service	240,474
Unrestricted	6,834,322
Total net position	$ 21,714,782

The accompanying notes to the financial statements are an integral part of these statements.

BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2016

Operating revenues:	
Municipal water sales	$ 2,696,490
Irrigation water sales	117,484
Fixed water assessments	352,098
	3,166,072
Operating expenses:	
Directors fees	13,200
Payroll	877,078
Pension expense	27,388
Professional fees	194,773
Contracted services	56,262
Maintenance and repairs	37,718
Insurance	184,408
Depreciation	349,638
Amortization	1,400
Telephone	9,496
Utilities	9,878
Fuel and lubricants	77,676
Water master fee	35,078
Materials	174,914
Supplies	16,320
Uniforms	10,248
Employee recognition	5,499
Postage	6,945
Legal notices & recording fees	10,165
Taxes - payroll	68,328
Dues and subscriptions	6,077
Election costs	16,193
	2,188,682
Operating income	977,390
Non-operating revenues (expenses):	
Rental income	74,747
Other	41,804
Interest and dividend income	46,474
Interest	(160,683)
	2,342
Change in net position	979,732
Net position at beginning of year	20,735,050
Net position at end of year	$ 21,714,782

The accompanying notes to the financial statements are an integral part of these statements.

BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

STATEMENT OF CASH FLOWS

Year Ended December 31, 2016

Operating activities:	
Cash received from Customers	$ 3,166,072
Cash payments to suppliers of goods and services	(1,075,647)
Cash payments to employees for services	(877,078)
Net cash provided by operating activities	1,213,347
Capital and related financing activities:	
Other non-operating revenues	116,551
Acquisition of capital assets	(403,521)
Payments on contract revenue notes	(1,095,000)
Interest on contract revenue notes	(160,683)
Net cash used by capital and related financing activities	(1,542,653)
Investing activities:	
Interest income	46,474
Net cash provided by investing activities	46,474
Net idecrease in cash and cash equivalents	(282,832)
Cash and cash equivalents at begining of year	7,244,167
Cash and cash equivalents at end of year	$ 6,961,335
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 979,732
Adjustments to reconcile income from operations to net cash used for operating activities:	
Depreciation	349,638
Amortization	1,400
Change in assets and liabilities:	
(Increase) decrease in fixed water assessments - net	(3,180)
(Increase) decrease in Other	(4,626)
(Increase) decrease in Inventory	(22,950)
(Increase) decrease in accrued interest	(1,335)
(Increase) decrease in prepaid expenses	(32,669)
(Increase) decrease in deferred outflows - pension	6,585
Increase (decrease) in accounts payable	(1,555)
Increase (decrease) in deferred revenue	(6,786)
Increase (decrease) in accrued liabilities	(12,938)
Increase (decrease) in net pension liability	(37,969)
	233,615
Net cash provided by operating activities	$ 1,213,347

See independent auditor's report and accompanying notes to financial statements.

Note 1 - Organization and Operations

Reporting Entity

The Bexar-Medina-Atascosa Counties Water Control and Improvement District No. 1 (the District) was organized as a municipal corporation under the Water Improvement District laws of Texas, Section 52, Article III, Texas Constitution; Chapter 2, Title 128, Article 7622 and subsequent, Revised Statutes of Texas of 1925; and Chapter 87 of the general laws passed by the Thirty-fifth Legislature at the regular session in 1917. The District currently operates under Article XVI, Section 59 of the Texas Constitution, Chapters 49, 50 and 51 of the Texas Water Code, and other applicable general laws of the State. The District was reorganized as a municipal corporation or Irrigation District on February 8, 1925. The District provides irrigation water to a three county area in south-central Texas.

The District is governed by a seven member Board of Directors, elected by the landowners of the District to serve a four-year term and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. The Board also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*", and is not included in any other governmental reporting entity.

Component Units

Under GASB 14, component units are organizations for which the District is financially accountable and all other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the foregoing criteria, there are no component units required to be included in these financial statements.

Note 2 - Summary of Significant Accounting Policies

Measurement Focus

The accompanying financial statements are reported using the economic resources measurement focus and full accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded as the liabilities are incurred, regardless of the timing of related cash flows.

The District operates as an enterprise (proprietary) fund. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District comes from fees charged for irrigation and untreated water.

Note 2 - Summary of Significant Accounting Policies (Continued)

Measurement Focus (Continued)

Operating expenses include the costs of services, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Basis of Presentation

The District presents its financial statements in accordance with GASB Statement 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* which provides guidance for governments engaged in business-type activities. Accordingly, the basic financial statements and Required Supplementary Information (RSI) of the District consist of Management's discussion and analysis, Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, Notes to the Financial Statements, and Trend Information for the Retirement Plan.

The District prepares its basic financial statements in conformity with all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Newly Adopted Standards

The District implemented GASB Statement No. 72, *Fair Value Measurement and Application and GASB No. 73 Accounting and Financial Reporting for Pension and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.*

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value by providing guidance for determining a fair value measurement for financial reporting purposes. GASB Statement No. 72 is applicable for fiscal years beginning after June 15, 2015.

GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68,* clarifies the application of certain provisions of Statement No. 67 and Statement No. 68 with regards to information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amount reported.

The implementation of GASB Statements No. 72 and 73 did not impact net position on the Statement of Net Position or the Statement of Revenues, Expenses and Changes in Net Position for the year ending December 31, 2016.

Note 2 - Summary of Significant Accounting Policies (Continued)

Issued but not Yet Effective Pronouncements

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statement No. 67, Statement No. 68 and Statement No. 73* have been issued and are applicable for fiscal years beginning after June 15, 2016. The District is in the process of analyzing the statements and does not believe they will have a material impact on the District's financial position, results of operations, and cash flows.

Estimates

The 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 amounts reported in the basic financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with maturity of three months or less are considered to be cash equivalents.

Restricted Cash

Restricted cash consists of funds derived from the issuance of contract revenue notes for the rehabilitation of the water delivery system. It is the District's policy to use restricted resources first when an expenditure is made for purposes for which both restricted and unrestricted resources are available.

Capital Contributions

Capital contributions consist of donated assets and contributions for capital-related work completed on the medina dam, which is a District owned asset.

Investments

State statutes and the District's investment policies authorize the District to invest (short-term and long-term) in fully secured certificates of deposit, eligible investment pools, U.S. Treasury Obligations, U.S. Agency Issues, high-grade secured commercial paper, banker's acceptances, fully collateralized repurchase agreements and certain stock and bond funds.

Generally, short-term investments are stated at cost or amortized cost and long-term investments are reported at fair value. The District records any unrealized gains or losses on the long-term securities as non-operating revenues.

Inventory

Inventory consists of pipes, supplies, and other items used in the District's construction projects and system maintenance. These inventories are valued using the cost method and are reported under the consumption method whereby inventory is expensed or capitalized (as a construction cost) when utilized.

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, when purchased or constructed, are recorded at cost or estimated historical cost based on the corresponding asset class.

The capital asset accounts include all of the District's assets including public domain (infrastructure) assets such as the dam, canals, etc. which only have value to the District, and assets acquired through capital leases. Assets acquired through contributions are capitalized and recorded as capital assets and capital contributions (revenue) at estimated fair value at the date of donation

It is the policy of the District to capitalize certain interest costs on revenue bonds and commercial paper associated with newly constructed asset additions. The applicable interest costs are reflected in the capitalized value of the assets constructed.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized but are charged to operating expense. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated over the estimated useful lives of the assets using the straight-line method. Estimated useful lives, in years, for capital assets are as follows:

Building	15 - 50
Machinery and equipment	7 - 30
Automobiles and trucks	5 - 10
Furniture and fixtures	3 - 30
Fencing	30
Communication equipment	10
Miscellaneous	3-30

Compensated Absences

The District allows employees to accumulate vacation and sick leave within certain limitations. Pursuant to GASB pronouncements, the District does not record as expense non-vested sick leave. The accrued vacation payable at December 31, 2016 was immaterial and therefore was not recorded at year-end.

Revenue

Revenues are recognized as earned and generally result from providing water to customers. Revenues resulting from other transactions are reported as non-operating revenues.

Risk Management

The District provides for potential losses due to insurable risks primarily through the purchase of commercial liability insurance. Such insurance covers risk areas such as losses related to property damage or theft and bonding of the Board of Directors.

Note 3 - Deposits and Investments

Deposits

At December 31, 2016, the carrying amount of the District's cash on deposit was $6,961,335 and the bank balance was $7,070,029. The District's cash deposits at December 31, 2016 and during the year then ended were entirely covered by FDIC insurance and/or pledged collateral held by the District's pledging financial institution, as required by its investment policy and the Public Funds Investment Act.

Note 4 - Accounts Receivable

Accounts receivable includes fixed water assessments of $114,600 due as of December 31, 2016. A provision for estimated uncollectible accounts on these assessments in the amount of $29,000 has been provided.

Note 5 - Capital Asset Activity

The following is a summary of the change in the capital asset accounts for the year ended December 31, 2016:

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016
Land and easements	$ 417,377	$ -	$ -	$ 417,377
Buildings	183,508	-	-	183,508
Water system	3,598,784	26,189	-	3,624,973
Machinery and equipment	2,299,166	209,573	40,101	2,468,638
Vehicles	549,238	-	37,582	511,656
Furniture and fixtures	76,578	5,717	5,254	77,041
Fencing	22,189	-	-	22,189
Project development	2,645,794	162,042	-	2,807,836
Medina dam project	6,569,402	-	-	6,569,402
Water system rehab project	5,927,102	-	-	5,927,102
	22,289,138	403,521	82,937	22,609,722
Less accumulated depreciation	5,098,035	349,638	82,937	5,364,736
	$ 17,191,103	$ 53,883	$ -	$ 17,244,986

Note 5 - Capital Asset Activity (continued)

The value of land acquired since 1925 by the District has not been established; therefore, it is not recorded on the books as of December 31, 2016. Property owners deeded the land to the District at the time of creation of the District for the purpose of establishing the system of canals needed to complete the irrigation system. The total number of acres donated to the District has not been determined.

Depreciation expense for the current year was $349,638.

Note 6 - Contract Revenue Notes

On May 4, 2010 the District issued of $4,500,000 of contract revenue notes. The proceeds of these notes are restricted to the rehabilitation of the water delivery system. The notes are payable from revenue received from the water sales contract with the SAWS.

The following is a summary of these notes as of December 31, 2016:

$4,500,000 Series 2010 Contract Revenue Notes due in annual installments of $145,000 to $335,000 through February 2030; interest is variable from 4.00% to 5.00% and is payable semi-annually	$ 2,605,000
Less current portion	185,000
	$ 2,420,000

BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Note 6 - Contract Revenue Notes (continued)

Changes during the year ended December 31, 2016 in the contract revenue notes, including current potion, rates and due dates are as follows:

Bond Component	Balance 12/31/15	Increase	(Decrease)	Balance 12/31/16	Amount Due in 2017
Serial bonds:	$ 180,000	$ -	$ (180,000)	$ -	-
	185,000	-	-	185,000	185,000
	195,000	-	-	195,000	-
	200,000	-	-	200,000	-
	210,000	-	-	210,000	-
Term bonds due 2022:	220,000	-	-	220,000	-
	230,000	-	-	230,000	-
Term Bonds due 2025:	240,000	-	-	240,000	-
	250,000	-	-	250,000	-
	265,000	-	-	265,000	-
Term Bonds due 2027:	275,000	-	-	275,000	-
	290,000	-	(290,000)	-	-
Term Bonds due 2030:	305,000	-	(305,000)	-	-
	320,000	-	(320,000)	-	-
	335,000	-	-	335,000	-
	$ 3,700,000	$ -	$ (1,095,000)	$ 2,605,000	$ 185,000

Bond Component	Balance 12/31/16	Maturity Date	Rate
Serial Bonds:	$ 185,000	2/1/17	4.000%
	195,000	2/1/18	4.000%
	200,000	2/1/19	4.000%
	210,000	2/1/20	4.125%
Term bonds due 2022:	220,000	2/1/21	4.500%
	230,000	2/1/22	4.500%
Term Bonds due 2025:	240,000	2/1/23	4.625%
	250,000	2/1/24	4.625%
	265,000	2/1/25	4.625%
Term Bonds due 2027:	275,000	2/1/26	4.750%
Term Bonds due 2030:	335,000	2/1/30	5.000%
	$ 2,605,000		

Note 7 - Water Sales Contracts and Commitments

The district has entered into a series of agreements with the San Antonio Water System (SAWS). These agreements provide for the sale of water from the District's water system to SAWS and for payments by SAWS to the District to ensure future water availability for sale to SAWS. Each agreement is described further in this note. In summary, a 1991 agreement provides for the sale of "excess water" (as determined by the District) at a fixed price on a take-or-pay basis; a 1992 agreement suspends for five years certain provisions of the 1991 agreement delaying the sale of excess water to SAWS, with SAWS making fixed annual payments for maintenance, repairs, and improvements to the District's water system; and a 1995 agreement provides that the District will sell specified amounts of water on a "priority basis" before determining the amount of excess water as defined in the 1991 agreement.

Long-Term Water Sales Agreement

The 1991 agreement provides for the sale of excess water from the District's adjudication of 66,000 acre-feet of water per year. The agreement is effective from September 1, 1991, for a period of twenty years with the option to extend the agreement for an additional ten years. Several options to terminate the agreement are available to the District. SAWS may terminate the agreement effective December 31 of the year after SAWS gives proper notice. Implementation of the agreement is subject to approval by the Texas Commission on Environmental Quality (TCEQ). In April 1998, the District's Certificate of Adjudication was amended by the TCEQ to authorize the use of 19,974 acre-feet of its 66,000 acre-foot adjudication for municipal purposes. Excess water is determined at the District's sole discretion. The agreement requires the District to evaluate the availability of excess water at least twice a year in the months of February and August. SAWS agrees to purchase during each contract year all excess water as determined by the District whether or not SAWS takes delivery of the water. The price of the water for the first three contract years shall be $56.00 for each metered acre-foot, subject to adjustments thereafter. The District is committed to deliver the excess water only by gravity flows to SAWS's designated point of diversion, which is the same as the District's point of diversion in the system.

1992 Water Conservation Agreement

In 1992, the District entered into a water conservation agreement with SAWS. The agreement provides that the District will take certain steps to ensure future excess waters, as defined in the water sales agreement, including measures to conserve water in the District's irrigation system. The agreement became effective September 1, 1992, for a period of five years. SAWS paid the District $300,000 each year that the contract was in effect.

The water conservation agreement required the District to waive its right to declare excess water during the five-year term of the agreement. SAWS will receive credits against future billings for excess water under the water agreement to the extent of 85% of the first year's conservation agreement payments and 100% of future years' payments. Total credits to be given by the District will not exceed $1,455,000, and the credit applied to future water purchases in any year may not be more than one-fifth of the total credits.

Note 7 - Water Sales Contracts and Commitments (Continued)

1995 Water Availability Contract

In 1995, The District completed an agreement with SAWS to make water available to SAWS on a priority basis up to 6,000 acre-feet of water per year, to the extent water is available in accordance with conditions stated in the 1995 agreement. The potential availability of excess water pursuant to the 1991 agreement is directly reduced on an acre-foot basis.

On each anniversary date, SAWS will pay the District the purchase price for the entire quantity of water deliverable under the 1995 agreement during the twelve months following November 1, 1996. The District is entitled to the entire purchase price for the stated quantity of priority water whether or not SAWS accepts the District's tender of the water. In 1997, the parties amended this contract. In that amendment SAWS agreed to pay $168,000 for 3,000 acre-feet of water. SAWS can receive the water in the twelve months starting April 1, 1998.

1999 Agreement

In November 1999 the District entered into an agreement with SAWS that merges and integrates the prior agreements. Per the 1999 agreement, the District will deliver 10,000 acre feet of priority water to SAWS annually on a take or pay basis at $69 per acre foot. This amount is to be paid in equal monthly installments of $57,500 beginning December 1999.

SAWS will provide $500,000 per year toward the federal matching fund obligation per the P.L. 83-566 project to rehabilitate the water delivery system. These payments will begin in 2001 and run through 2010. In consideration for SAWS's funding of the annual matching project, the District shall annually convert 1,000 acre feet out of the 19,974 acre feet of water allocated for municipal use under the Certificate of Adjudication 19-2130 for purchase by SAWS on a priority basis until the balance of the 19,974 acre feet of water is allocated to SAWS.

This agreement was amended in June 2000 whereby SAWS contractually agreed to provide in-kind payment or perform creditable activity in an amount not less than $500,000 per year toward the federal matching fund obligation for the years 2001 through 2010.

2007 Agreement

In November 2007, BMA and SAWS entered into an agreement that replaced and superceded all prior agreements. Under this agreement, BMA agreed to supply untreated water from Medina Lake to SAWS for SAWS's municipal purposes. The amount of water supplied shall not exceed 19,974 acre-feet per calendar year. The price for the water is $69 per acre-foot through the end of calendar year 2012. BMA is entitled to adjust the per acre-foot charge at the commencement of each calendar year beginning January 1, 2013.

The terms of this agreement shall commence in January 1, 2008 and continue until December 31, 2049.

Note 8 - Concentrations

The District derived approximately eighty-one percent of its income for the year ended December 31, 2016 from the water sales contracts with the SAWS. See note 7 for details of these contracts.

Note 9 - Defined Benefit Pension Plan

1. Plan Information

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 641 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 5 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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

2. Actuarial Assumptions

Following are the key assumptions and methods used in the GASB analysis.

Valuation Timing	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.
Actuarial Cost Method	Entry age normal
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	Same as funding valuation
Salary Increases	Same as funding valuation
Investment Rate of Return	8.10%

Note 9 - Defined Benefit Pension Plan (Continued)

Cost-of-Living Adjustments	Cost-of-Living Adjustments for BMA are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Same as funding valuation
Turnover	Same as funding valuation
Mortality	Same as funding valuation

(1)Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

Actuarial Methods and Assumptions Used for Funding Valuation:

Following is a description of the assumptions used in the December 31, 2015 actuarial valuation analysis for the District. This information may also be found in the District's December 31, 2015 Summary Valuation Report.

Economic Assumptions:

TCDRS System-Wide Economic Assumptions:

Real rate of return	5.0%
Inflation	3.0%
Long-term investment return	8.0%

The long-term investment return of 8% is net of investment expenses and is expected to enable the system to credit interest at the nominal annual rates shown below to the following major funds:

Subdivision Accumulation Fund	9%
Employees Saving Fund	7%
Current Service Annuity Reserve Fund	7%

Assuming interest will be credited at these nominal annual rates to the various funds, we have then assumed the following:

- An annual rate of 9% for calculating the actuarial accrued liability and normal cost contributions rate for the retirement plan of each participating employer.

- An annual rate of 7% required under the TCDRS Act for: (1) accumulating current service credit and multiple matching credit after the valuation date; (2) accumulating prior service credit after the valuation date; (3) determining the amount of the monthly benefit at future dates of retirement or disability; and (4) calculating the actuarial accrued liability of the system-wide Current Service Annuity Reserve Fund.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee. (See Table 1 for Merit Salary Increases).

Note 9 - Defined Benefit Pension Plan (Continued)

Employer-Specific Economic Assumptions:

Growth in membership	0.0%
Payroll growth	0.0%

The payroll growth assumption is for the aggregate covered payroll of an employer.

Table 1
Merit Salary Increases*

Years of Service	Before 30	Entry Age Ages 30-39	Ages 40-49	50 and Later
0	5.25%	4.75%	4.25%	3.75%
1	4.50%	4.00%	4.25%	3.00%
2	4.00%	3.50%	3.00%	2.50%
3	3.50%	3.00%	2.50%	2.00%
4	3.00%	2.50%	2.00%	1.50%
5	2.65%	2.15%	1.65%	1.15%
6	2.40%	1.90%	1.40%	0.90%
7	2.20%	1.70%	1.20%	0.70%
8	2.05%	1.55%	1.05%	0.55%
9	1.95%	1.45%	0.95%	0.45%
10	1.85%	1.35%	0.85%	0.40%
11	1.75%	1.25%	0.75%	0.40%
12	1.65%	1.15%	0.65%	0.40%
13	1.55%	1.05%	0.55%	0.40%
14	1.56%	0.95%	0.45%	0.40%
15	1.35%	0.90%	0.40%	0.40%
16	1.25%	0.85%	0.40%	0.40%
17	1.15%	0.80%	0.40%	0.40%
18	1.10%	0.75%	0.40%	0.40%
19	1.05%	0.70%	0.40%	0.40%
20	1.00%	0.65%	0.40%	0.40%
21	0.95%	0.60%	0.40%	0.40%
22	0.90%	0.55%	0.40%	0.40%
23	0.85%	0.50%	0.40%	0.40%
24	0.80%	0.45%	0.40%	0.40%
25	0.75%	0.40%	0.40%	0.40%
26	0.70%	0.40%	0.40%	0.40%
27	0.65%	0.40%	0.40%	0.40%
28	0.60%	0.40%	0.40%	0.40%
29	0.55%	0.40%	0.40%	0.40%
30 & up	0.50%	0.40%	0.40%	0.40%

- *These rates do not include the wage inflation rate of 3.5% per year. For example, a member who entered the system at age 20 and is in the first year of service is assumed to receive an 8.93% total annual increase in his salary. The 8.93% is a combination of the 5.25% merit increase and the 3.5% wage inflation. Note that the two components are compounded, so it is a slightly different result than just adding the two percentages.*

Note 9 - Defined Benefit Pension Plan (Continued)

Demographic Assumptions

TCDRS System-Wide Demographic Assumptions:

Replacement of Terminated Members - New employees are assumed to replace any terminated members and have similar entry ages.

Disability - The rates of disability used in this valuation are illustrated in Table 2. Members who become disabled are eligible to commence benefit payments regardless of age. Rates of disability are in a custom table based on TCDRS experience.

Table 2
Annual Rates of Disability*

Age	Work Related Male and Female	All Other Causes Male and Female
Less than 25	0.000%	0.000%
25	0.000%	0.000%
26	0.000%	0.000%
27	0.000%	0.000%
28	0.000%	0.010%
29	0.000%	0.010%
30	0.000%	0.011%
31	0.000%	0.012%
32	0.000%	0.012%
33	0.000%	0.014%
34	0.000%	0.018%
35	0.001%	0.023%
36	0.001%	0.028%
37	0.001%	0.035%
38	0.002%	0.041%
39	0.002%	0.047%
40	0.003%	0.053%
41	0.004%	0.059%
42	0.004%	0.066%
43	0.005%	0.072%
44	0.005%	0.079%
45	0.006%	0.086%
46	0.006%	0.095%
47	0.007%	0.105%
48	0.007%	0.119%
49	0.008%	0.136%
50	0.009%	0.156%
51	0.009%	0.178%
52	0.010%	0.203%
53	0.011%	0.229%
54	0.012%	0.254%
55	0.014%	0.278%
56	0.016%	0.297%
57	0.018%	0.312%
58	0.022%	0.325%
59	0.024%	0.337%
60 and above	0.000%	0.000%

**The probability of disablement from all other causes is applicable for members who are vested but not eligible for service retirement. Before a member is vested, only the work related disability provisions are applicable.*

Note 9 - Defined Benefit Pension Plan (Continued)

Mortality

Depositing Members`	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

Family Composition - For current retirees, beneficiary information is supplied by TCDRS. For purposes of calculating the Survivor Benefit for current depositing and non-depositing members, male members are assumed to have a female beneficiary who is three years younger. Female members are assumed to have a male beneficiary who is three years older.

Service Retirement - Members eligible for service retirement are assumed to retire at the rates shown in Table 3.

Table 3
Annual Rates of Service Retirement*

Age	Male	Female
40-44	4.5%	4.5%
45-49	9.0%	9.0%
50	10.0%	10.0%
51	10.0%	10.0%
52	10.5%	10.5%
53	10.5%	10.5%
54	10.5%	10.5%
55	11.0%	11.0%
56	11.0%	11.0%
57	11.0%	11.0%
58	12.0%	12.0%
59	12.0%	12.0%
60	14.0%	14.0%
61	12.0%	12.0%
62	25.0%	25.0%
63	16.0%	16.0%
64	16.0%	16.0%
65	30.0%	30.0%
66	25.0%	25.0%
67	24.0%	24.0%
68	22.0%	22.0%
69	22.0%	22.0%
70	22.0%	22.0%
71	22.0%	22.0%
72	22.0%	22.0%
73	22.0%	22.0%
74**	22.0%	22.0%

**Deferred members are assumed to retire (100% probability) at the later of:*
a) age 60 B) earliest retirement eligibility.

*** For all eligible members ages 75 and later, retirement is assumed to occur immediately.*

Note 9 - Defined Benefit Pension Plan (Continued)

Employer-Specific Demographic Assumptions:

Other Terminations of Employment - The rate of assumed future termination from active participation in the plan for reasons other than death, disability or retirement are illustrated in Table 4. The rates vary by length of service, entry-age group (age at hire) and sex. No termination after eligibility for retirement is assumed.

Table 4
Annual Rates of Termination

Years of Service	Entry Age 20		Entry Age 30		Entry Age 40		Entry Age 50	
	Male	Female	Male	Female	Male	Female	Male	Female
0	26.5%	28.7%	21.9%	23.7%	19.6%	21.2%	17.3%	18.7%
1	17.7%	19.1%	14.6%	15.8%	13.1%	14.1%	11.5%	12.5%
2	13.3%	14.4%	10.9%	11.9%	9.8%	10.6%	8.6%	9.4%
3	10.6%	11.5%	8.8%	9.5%	7.8%	8.5%	6.9%	7.5%
4	8.8%	9.6%	7.3%	7.9%	6.5%	7.1%	5.8%	6.2%
5	7.5%	8.1%	6.2%	8.1%	5.6%	6.0%	4.9%	5.3%
6	6.2%	6.7%	5.1%	5.5%	4.6%	5.0%	4.0%	4.4%
7	5.3%	5.7%	4.4%	4.7%	3.9%	4.2%	3.5%	3.7%
8	4.9%	5.3%	4.0%	4.3%	3.6%	3.9%	3.2%	3.4%
9	4.4%	4.8%	3.7%	4.0%	3.3%	3.5%	2.9%	3.1%
10	4.0%	4.3%	3.3%	3.6%	2.9%	3.2%	2.6%	2.8%
11	3.5%	3.8%	2.9%	3.2%	2.6%	2.8%	2.3%	2.5%
12	3.2%	3.5%	2.6%	2.9%	2.4%	2.5%	2.1%	2.3%
13	2.8%	3.1%	2.3%	2.5%	2.1%	2.3%	1.8%	2.0%
14	2.5%	2.7%	2.0%	2.2%	1.8%	2.0%	1.6%	1.7%
15	2.1%	2.3%	1.8%	1.9%	1.6%	1.7%	1.4%	1.5%
16	1.9%	2.0%	1.5%	1.7%	1.4%	1.5%	1.2%	1.3%
17	1.6%	1.7%	1.3%	1.4%	1.2%	1.3%	1.0%	1.1%
18	1.4%	1.5%	1.2%	1.3%	1.1%	1.1%	0.9%	1.0%
19	1.3%	1.4%	1.1%	1.2%	1.0%	1.1%	0.9%	0.9%
20	1.3%	1.4%	1.1%	1.2%	1.0%	1.1%	0.9%	0.9%
21	1.2%	1.3%	1.0%	1.1%	0.9%	1.0%	0.8%	0.8%
22	1.1%	1.2%	0.9%	1.0%	0.8%	0.9%	0.7%	0.8%
23	0.9%	1.0%	0.8%	0.8%	0.7%	0.7%	0.6%	0.7%
24	0.8%	0.9%	0.7%	0.7%	0.6%	0.6%	0.5%	0.6%
25	0.7%	0.8%	0.6%	0.6%	0.5%	0.6%	0.5%	0.5%
26	0.6%	0.7%	0.5%	0.6%	0.5%	0.5%	0.4%	0.4%
27	0.5%	0.6%	0.4%	0.5%	0.4%	0.4%	0.3%	0.4%
28	0.4%	0.5%	0.4%	0.4%	0.3%	0.4%	0.3%	0.3%
29	0.4%	0.4%	0.3%	0.3%	0.3%	0.2%	0.2%	0.3%
30 & Later	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Note 9 - Defined Benefit Pension Plan (Continued)

Withdrawals - Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. Rates applied to your plan are shown in Table 5. For non-depositing members who are not vested, 100% are assumed to elect a withdrawal.

Table 5
Probability of Withdrawal

Years of Service	Probability
0	100%
1	100%
2	100%
3	100%
4	100%
5	60%
6	60%
7	55%
8	50%
9	49%
10	48%
11	47%
12	46%
13	44%
14	42%
15	40%
16	38%
17	36%
18	34%
19	32%
20	30%
21	28%
22	26%
23	24%
24	22%
25	20%
26	15%
27	10%
28*	5%

- *Members with more than 28 years of service are not assumed to refund.*

Note 9 - Defined Benefit Pension Plan (Continued)

3. Long-Term Expected Rate of Return

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. TCDRS' investment consultant, Cliffwater LLC, provides the capital market assumptions and information shown below. The numbers shown are based on January 2016 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. see Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 - December 31, 2012 for more details.

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.45%
Private Equity	Cambridge Associates Global Private Equity Capital Index	14.00%	8.45%
Global Equities	MSCI World (net) Index	1.50%	5.75%
International Equities – Developed	50% MSCI World Ex USA (net) + 50% MSCI USA 100% Hedged to USD (net) Index	10.00%	5.45%
International Equities – Emerging	50% MSCI EM Standard (net) Index + 50% EM 100% Hedged to USD (net) Index	8.00%	6.45%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	1.00%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	5.10%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.09%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	5.00%	6.40%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	8.10%
REIT	67% FTSE NAREIT Equity REITs Index + FRSE EPRA/NAREIT Global Real Estate Index	3.00%	4.00%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.80%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index(4)	5.00%	6.90%
Hedge Funds	Hedge Funds Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.25%

4. Depletion of Plan Assets / GASB Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Note 9 - Defined Benefit Pension Plan (Continued)

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compare to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at lease the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compare to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Note 9 - Defined Benefit Pension Plan (Continued)

5. Sensitivity Analysis

The following presents the net pension liability of the county/district, calculated using the discount rate of 8.10%, as well as what BMA's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	**Current Discount Rate 8.10%**	**1% Increase 9.10%**
Total pension liability	$ 1,397,386	$ 1,198,721	$ 1,035,689
Fiduciary net position	$ 1,155,245	$ 1,155,245	$ 1,155,245
Net pension liability	$ 242,141	$ 43,477	$ (119,555)

6. Changes in Net Pensions Liability

Changes in Net Pension Liability/ (Asset)	Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances as of December 31, 2014	$ 1,132,313	$ 1,043,803	$ 88,510
Changes for the Year:			
Service cost	100,617	-	100,617
Interest on total pension liability (1)	94,671	-	94,671
Effect of plan changes	(34,494)	-	(34,494)
Effect of economic / demographic gains or losses	(102,646)	-	(102,646)
Effect of assumptions changes or inputs	6,852	-	6,852
Refund of contributions	(1,470)	(1,470)	-
Benefit payments	(122)	(122)	-
Administrative expenses	-	(798)	798
Member contributions	-	62,956	(62,956)
Net investment income	-	(21,683)	21,683
Employer contributions	-	74,018	(74,018)
Other (2)	-	(1,459)	1,459
Balances as of December 31, 2015	**$ 1,198,721**	**$ 1,155,245**	**$ 43,477**

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
(2) Relates to allocation of system-wide items.

Note 9 - Defined Benefit Pension Plan (continued)

7. Pension Expense and Deferred Inflows / Outflows

As of December 31, 2015, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/ Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	$ 85,538	$ 14,917
Change in assumptions	-	5,710
Net difference between projected and actual earnings	-	100,220
Contributions made subsequent to measurement – Employer determined	N/A	Employer Determined

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ended December 31,	
2016	$ 14,926
2017	$ 14,926
2018	$ 14,926
2019	$ 6,498
2020	$ (15,966)
Thereafter(4)	$ -

(1) *If eligible employer contributions were made subsequent to the measurement date through the employer's fiscal year end, the employer should reflect these contributions, adjusted as outlined in Appendix C of the report.*

(2) *Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.*

REQUIRED SUPPLEMENTARY INFORMATION

BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Year Ended December 31, 2016

	Year Ended December 31,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total Pension Liability										
Serice Cost	$ 100,617	$ 99,361	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	94,671	79,612	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	(31,494)	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	6,852	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains)			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
or losses	(102,646)	24,861	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of cont.	(1,592)	(11,125)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	66,408	192,709	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	1,132,313	939,603	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	$ 1,198,721	$ 1,132,312	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer contributions	$ 74,018	$ 73,897	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	62,956	56,287	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of expenses	(21,683)	58,393	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributio	(1,592)	(11,125)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(798)	(740)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	(1,459)	38	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	111,442	176,750	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	1,043,802	867,052	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	$ 1,155,244	$ 1,043,802	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability,(asset), ending=(a)-(	$ 43,477	$ 88,510	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	96.37%	92.18%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	$ 899,373	$ 804,106	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liab as a % of covered payr	4.83%	11.01%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

SCHEDULE OF FUNDING PROGRESS OF PENSION PLAN

Year Ended December 31, 2016

Year Ending 12/31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll *	Actual Contribution as a % of Covered Payroll
2006	$ 4,961	$ 4,961	$ -	$ 1,481	3.4%
2007	$ 20,074	$ 20,074	$ -	$ 599,216	3.4%
2008	$ 30,934	$ 30,934	$ -	$ 641,779	4.8%
2009	$ 35,905	$ 35,905	$ -	$ 702,647	5.1%
2010	$ 37,599	$ 37,599	$ -	$ 768,898	4.9%
2011	$ 77,309	$ 77,309	$ -	$ 801,135	9.7%
2012	$ 73,924	$ 73,924	$ -	$ 774,078	9.5%
2013	$ 74,120	$ 74,120	$ -	$ 774,507	9.6%
2014	$ 73,897	$ 73,897	$ -	$ 804,106	9.2%
2015	$ 74,018	$ 74,018	$ -	$ 899,373	8.2%

* TCDRS calculates actuarially determined contributions on a calandar year basis. GASB Statement No. 68 indicates the employer should report employer contributions amounts on a fiscal year basis.

* Payroll is calculated based on contributions as reported to TCDRS

SUPPLEMENTARY INFORMATION

BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

Year Ended December 31, 2016

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance - Favorable (Unfavorable)
Operating revenue:					
Municipal water sales	$ 2,696,490	$ -	2,696,490	$ 2,596,620	$ 99,870
Fixed water assessments	352,098	(9,966)	342,132	373,120	(30,988)
Irrigation water sales	117,484	(4,626)	112,858	519,000	(406,142)
	3,166,072	(14,592)	3,151,480	3,488,740	(337,260)
Operating expenses:					
Directors fees	13,200	-	13,200	12,600	(600)
Travel	-	-	-	1,000	1,000
Payroll	877,078	23,708	900,786	975,826	75,040
Pension	27,388	-	27,388	74,260	46,872
Professional fees	194,773	30,000	224,773	320,000	95,227
Contracted services	56,262	-	56,262	53,900	(2,362)
Maintenance and repairs	37,718	-	37,718	100,000	62,282
Insurance	184,408	-	184,408	214,011	29,603
Depreciation	349,638	(349,638)	-	-	-
Amortization	1,400	(1,400)	-	-	-
Telephone	9,496	-	9,496	10,500	1,004
Utilities	9,878	-	9,878	8,300	(1,578)
Fuel and lubricants	77,676	-	77,676	100,000	22,324
Water master fee	35,078	-	35,078	35,000	(78)
Materials	174,914	22,950	197,864	150,000	(47,864)
Project and equipment costs	-	403,521	403,521	5,026,000	4,622,479
Supplies	16,320	-	16,320	14,000	(2,320)
Schools & siminars	-	-	-	2,500	2,500
Uniforms	10,248	-	10,248	10,500	252
Employee recognition	5,499	-	5,499	6,000	501
Postage	6,945	-	6,945	8,000	1,055
Llegal notices & recording fees	10,165	-	10,165	8,000	(2,165)
Taxes - payroll	68,328	-	68,328	80,579	12,251
Dues and subscriptions	6,077	-	6,077	7,000	923
Election costs	16,193	-	16,193	35,000	18,807
	2,188,682	129,141	2,317,823	7,252,976	4,935,153
Operating Income (loss)	977,390	(143,733)	833,657	(3,764,236)	4,597,893
Non-operating revenues (expenses):					
Rental income	74,747	-	74,747	64,805	9,942
Other	41,804	-	41,804	20,000	21,804
Interest	46,474	(1,335)	45,139	27,000	18,139
Debt service	(160,683)	(1,116,571)	(1,277,254)	(347,569)	(929,685)
	2,342	(1,117,906)	(1,115,564)	(235,764)	(879,800)
Change in net position	979,732	(1,261,639)	(281,907)	(4,000,000)	3,718,093
Net position beginning of year	20,735,050	-	20,735,050	20,735,050	-
Net position end of year	$ 21,714,782	$ (1,261,639)	$ 20,453,143	$ 16,735,050	$ 3,718,093

BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

CERTIFICATE OF THE BOARD OF DIRECTORS

We, the undersigned, do hereby certify that the audit report of the above named Bexar-Medina- Atascosa Counties Water Control and Improvement District No. 1 for the year ended December 31, 2016, was reviewed and approved at a meeting of the Board of Directors of the District on the 10th day of April, 2017.

Signature of Board President:

John W Rothe

Signature of Board Secretary:

James T Hughes