

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

**AUDITED FINANCIAL STATEMENTS**

DECEMBER 31, 2013

## CONTENTS

	<u>Pages</u>
Independent Auditor's Report	3
Management's Discussion and Analysis	5
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Financial Statements	12
Required Supplementary Information:	
Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual	23
Certificate of the Board of Directors	24



## **Independent Auditor's Report**

March 6, 2014

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

### **Report on the Financial Statements**

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free 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 of 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 BMA'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 BMA'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 6, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Bexar-Medina-Atascosa Counties Water Control and Improvement District No. 1 as of December 31, 2013, and the 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.

## Emphasis of Matters

As discussed in note 6 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.

As discussed in note 1 to the financial statements, BMA adopted the provisions of GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. My opinion is not modified with respect to this matter

## Other Matter

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 8 and page 23 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  
CERTIFIED PUBLIC ACCOUNTANT

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended December 31, 2013**

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, 2013. It should be read in conjunction with the audited financial statements, which can be found following the MD&A.

**District Overview**

The District experienced a continuation of drought conditions in its service area for the year ended December 31, 2013. As a result, there were no deliveries of irrigation water to its customers for all of 2013. 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, 2013 by \$18,778,083. Of that amount, \$5,080,763 (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 \$1,306,749 for the year ended December 31, 2013.

The District's operating revenues decreased \$359,248 over the prior year.

The District's ending total assets equaled \$23,140,264, which represents a 17% increase over the prior year.

The District's total debt decreased by \$160,000 during the year ending December 31, 2013.

**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 Activities 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.

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Year ended December 31, 2013**

**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 \$18,778,083 as of December 31, 2013. By far the largest portion of the District's net position (69 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 Assets**

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
Current and other assets	\$ 6,205,077	\$ 6,358,794	\$ (153,717)
Capital assets	16,935,187	16,391,065	544,122
Total assets	<u>23,140,264</u>	<u>22,749,859</u>	<u>390,405</u>
Current liabilities	487,181	1,111,982	(624,801)
Long-term liabilities	3,875,000	4,040,000	(165,000)
Total liabilities	<u>4,362,181</u>	<u>5,151,982</u>	<u>(789,801)</u>
Net position:			
Invested in capital assets, net of related debt	12,895,187	12,191,065	704,122
Restricted for debt service	561,408	558,828	2,580
Restricted for capital projects	240,725	3,760,592	(3,519,867)
Unrestricted	5,080,763	1,087,392	3,993,371
Total net position	<u>\$ 18,778,083</u>	<u>\$ 17,597,877</u>	<u>\$ 1,180,206</u>

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Year ended December 31, 2013**

**THE DISTRICT'S FUNDS**

Table 1 below presents a summary of revenues for 2013 and 2012 and the amount of change in relation to the prior year.

**Table 1 - Revenues**

	2013	2012	Increase (Decrease)
Municipal water sales	\$ 2,496,750	\$ 1,378,206	\$ 1,118,544
Fixed water assessments	357,689	357,891	(202)
Irrigation water sales	-	141,410	(141,410)
Grant revenue	-	1,349,021	(1,349,021)
SAWS	190,211	190,211	-
Investment earnings	44,210	27,142	17,068
Other	99,897	104,124	(4,227)
	<u>\$ 3,188,757</u>	<u>\$ 3,548,005</u>	<u>\$ (359,248)</u>

The increase in Municipal water sales was due to a rate increase that for 2013.

The decrease in irrigation water sales was due to a moratorium on the release of irrigation water, which began in September 2012 and continued through 2013.

The decrease in grant revenue was the result of the completion of the dam rehabilitation project.

The Table 2 below represents a summary of expenses for 2013 and 2012 and the amount of change in relation to the prior year.

**Table 2 - Expenses**

	2013	2012	Increase (Decrease)
Payroll	\$ 564,932	\$ 696,954	\$ (132,022)
Professional fees	199,148	97,425	101,723
Contracted services	31,268	18,058	13,210
Maintenance and repairs	79,889	81,402	(1,513)
Insurance	114,349	170,484	(56,135)
Materials	104,820	125,304	(20,484)
Taxes	47,348	56,443	(9,095)
Operations	561,262	662,132	(100,870)
Interest	178,992	0	178,992
	<u>\$ 1,882,008</u>	<u>\$ 1,908,202</u>	<u>\$ (26,194)</u>

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Year Ended December 31, 2013**

**Budgetary highlights**

The District reported overall revenues of \$3,188,757 versus the budget estimate of \$1,936,459 for a positive variance of \$1,252,298.

**Capital Assets and Debt Administration**

**Capital Assets**

At December 31, 2013 the District had \$16,935,187 invested in capital assets, including land, dam, water system, equipment, vehicles, etc. This amount represents a net increase (additions, deductions, and depreciation) of \$544,122, or 3.3% over last year.

	<u>2013</u>	<u>2012</u>
Land	\$ 194,451	\$ 194,451
Buildings	170,245	170,245
Machinery and equipment	2,368,909	2,127,832
Dam and water system	18,085,108	17,445,355
Vehicles	480,752	482,352
Other	<u>97,538</u>	<u>90,865</u>
	21,397,003	20,511,100
Accumulated depreciation	<u>(4,461,816)</u>	<u>(4,120,035)</u>
	<u>\$16,935,187</u>	<u>\$16,391,065</u>

**Debt Outstanding**

At year end the District had \$4,040,000 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, 2013

**ASSETS**

Current asset:	
Cash	\$ 5,702,608
Accounts receivable:	
Fixed water assessments - net	82,032
Other	30,592
Inventory	46,650
Accrued interest	6,964
Prepaid expenses	73,954
Total current assets	<u>5,942,800</u>
Property, plant and equipment	16,935,187
Restricted cash	240,725
Contract revenue note discount	16,244
Other	5,308
	<u>17,197,464</u>
Total assets and deferred outflow of resources	<u><u>\$ 23,140,264</u></u>

**LIABILITIES**

Current liabilities:	
Accounts payable	65,626
Deferred revenue	138,245
Accrued liabilities	118,310
Current portion of contract revenue notes	165,000
Total current liabilities	<u>487,181</u>
Contract revenue notes	3,875,000
	<u>3,875,000</u>
Total liabilities	<u>4,362,181</u>

**NET POSITION**

Invested in capital assets, net of related debt	12,895,187
Resticted for debt service	561,408
Resticted for capital projects	240,725
Unrestricted	5,080,763
	<u>18,778,083</u>
Total liabilities, deferred inflow of resources and net position	<u><u>\$ 23,140,264</u></u>

See independent auditor's report and accompanying notes to financial 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, 2013**

Revenues from operations:	
Municipal water sales	\$ 2,496,750
Fixed water assessments	357,689
	<u>2,854,439</u>
Operating expenses:	
Directors fees	12,600
Payroll	564,932
Retirement	53,318
Professional fees	199,148
Contracted services	31,268
Maintenance and repairs	79,889
Insurance	114,349
Depreciation	305,248
Amortization	1,400
Telephone	11,475
Utilities	7,932
Fuel and lubricants	93,558
Water master fee	29,289
Materials	104,820
Supplies	14,493
Uniforms	8,689
Employee recognition	4,772
Postage	3,688
Election costs, legal notices & recording fees	4,421
Taxes - payroll	47,348
Dues and subscriptions	10,193
Travel	186
	<u>1,703,016</u>
Income from operations	<u>1,151,423</u>
Nonoperating revenues (expenses):	
Rental income	64,586
SAWS	190,211
Other	35,311
Interest and dividend income	44,210
Interest	(178,992)
	<u>155,326</u>
Change in net position	1,306,749
Total net position at beginning of year	17,597,877
Implementation of GASB No. 63 and No. 65	(126,543)
Total net position at end of year	<u>\$ 18,778,083</u>

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

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2013**

Operating activities:	
Receipts from Customers	\$ 2,847,801
Cash payments to suppliers of goods and services	(1,325,308)
Cash payments to employees	(556,637)
Net cash provided by operating activities	<u>965,856</u>
Noncapital financing activities:	
Proceeds from SAWS	190,211
Net cash provided by noncapital financing activities	<u>190,211</u>
Capital and related financing activities:	
Other non-operating revenues	99,897
Release of restricted cash	3,109,623
Purchase of property, plant and equipment	(448,481)
Payments on contract revenue notes	(160,000)
Interest on contract revenue notes	(180,578)
Net cash provided by capital and related financing activities	<u>2,420,461</u>
Investing activities:	
Interest income	44,210
Net cash provided by investing activities	<u>44,210</u>
Increase in cash and cash equivalents	3,620,738
Cash and cash equivalents at beginning of year	2,081,870
Cash and cash equivalents at end of year	<u>\$ 5,702,608</u>
Reconciliation of operating income to net cash provided by operating activities:	
Income from operations	\$ 1,151,423
Adjustments to reconcile income from operations to net cash used for operating activities:	
Depreciation	305,248
Amortization	1,400
(Increase) decrease in operating asset items:	
Accounts receivable:	
Fixed water assessments - net	2,187
Other	(10,612)
Inventory	111,165
Accrued interest	3,144
Prepaid expenses	31,702
Increase (decrease) in operating liability items:	
Accounts payable	(639,883)
Deferred revenue	1,787
Accrued liabilities	8,295
Net cash provided by operating activities	<u>\$ 965,856</u>

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

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

**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 at 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 to district landowners for irrigation water.

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

**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).

**Issued but not yet Effective Pronouncements**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will change the accounting and reporting for pensions and replace GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*. The new standard is intended to provide more comparable and visible information within the annual financial statements of governments that provide defined benefit pensions.

**Newly Adopted Standards**

The District implemented GASB Statements No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB statement No. 14 and No. 34*. The statement modifies certain requirements for inclusion of component units in the financial reporting entity. In addition, the Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement clarifies the reporting of equity interest in legally separate organizations. The implementation of Statement 61 did not have a material effect on the district's net position, results of operations of cash flows.

The District also implemented GASB Statement 65, *Items previously reported as Assets and Liabilities*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred inflow of Resources, and Net Position*. These Statements established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. It also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. In addition, these statements also require certain debt-related costs to be expensed when incurred instead of amortizing the amounts over the life of the related debt. The implementation of these statements resulted in a restatement of net position of \$126,543 for unamortized debt issue costs.

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**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.

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

**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, 2013 was immaterial and therefore was not recorded at year-end.

**Net Assets**

Net assets are reported as (1) Invested in capital assets net of related debt; (2) restricted for debt service, construction, and contingencies, and (3) unrestricted.

**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.

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**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, 2013, the carrying amount of the District's cash on deposit was \$5,702,608 and the bank balance was \$5,794,257. The District's cash deposits at December 31, 2013 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.

Restricted cash consists of the proceeds from the issuance of contract revenue notes. These funds are restricted for the purpose of improvements to the water system. The total amount of restricted cash at December 31, 2013 was \$240,725.

**Note 4 - Accounts Receivable**

Accounts receivable includes fixed water assessments of \$111,032 due as of December 31, 2013. A provision for estimated uncollectible accounts on these assessments in the amount of \$29,000 has been provided.



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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

**Note 5 - Capital Asset Activity**

The following is a summary of the change in the capital asset accounts for the year ended December 31, 2013:

	Balance December 31, 2012	Additions	Deletions	Balance December 31, 2013
Land and easements	\$ 194,451	\$ -	\$ -	\$ 194,451
Buildings	170,245	-	-	170,245
Water system	3,596,125	-	-	3,596,125
Machinery and equipment	2,127,832	241,077	-	2,368,909
Vehicles	482,352	-	1,600	480,752
Furniture and fixtures	68,676	6,673	-	75,349
Fencing	22,189	-	-	22,189
Project development	3,001,762	609,870	1,057,710	2,553,922
Medina dam project	6,545,445	-	-	6,545,445
Water system rehab project	4,302,023	1,087,593	-	5,389,616
	<u>20,511,100</u>	<u>1,945,213</u>	<u>1,059,310</u>	<u>21,397,003</u>
Less accumulated depreciation	4,120,035	(341,781)	-	4,461,816
	<u>\$ 16,391,065</u>	<u>\$ 1,603,432</u>	<u>\$ 1,059,310</u>	<u>\$ 16,935,187</u>

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, 2013. 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 \$341,781.

**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 Bexar Metropolitan Water District.

The following is a summary of these notes as of December 31, 2013:

\$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	\$ 4,040,000
Less current portion	<u>165,000</u>
	<u>\$ 3,875,000</u>

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

**Note 6 - Contract Revenue Notes (Continued)**

The annual requirements to amortize the debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 165,000	\$ 179,369	\$ 344,369
2015	175,000	172,569	347,569
2016	180,000	165,469	345,469
2017-2021	1,010,000	710,800	1,720,800
2022-2027	1,260,000	515,990	1,775,990
2028-2030	1,250,000	73,500	1,323,500
	<u>\$ 4,040,000</u>	<u>\$ 1,817,697</u>	<u>\$ 5,857,697</u>

**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.

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

**Note 7 - Water Sales Contracts and Commitments (Continued)**

**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.

**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.

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

**Note 7 - Water Sales Contracts and Commitments (Continued)**

**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 forty-four percent of its income for the year ended December 31, 2013 from the water sales contracts with the SAWS. See note 8 for details of these contracts.

**Note 9 - Pension Plan**

The District provides pension benefits for all of its full-time employees through the Texas County and District Retirement System (TCDRS). The plan is a variable-rate plan type and is one of 586 such plans administered by TCDRS.

The plan provisions are adopted by the governing body of the District, within the options available in the state statutes governing the TCDRS and within the actuarial constraints also in the statutes. Plan provisions for the District are as follows:

Number of participating subdivisions	641
Years required for vesting and retirement at age 60	5
Rule of ___ for retirement eligibility	80
Service years for retirement at any age	30
Partial lump-sum option	No
Contribution rate for employer	9.57%
Contribution rate for employees	7.00%
Regular employer contribution rate	n/a
Supplemental employer contribution rate	n/a
Elected rate in effect	No
Supplemental rate in effect	n/a
Unfunded actuarial accrued liability	\$72,117

Pension costs for the year ended December 31, 2013 were \$53,318.

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

Notes to Financial Statements  
December 31, 2013

**Note 9 - Pension Plan (Continued)**

The required annual contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2012 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2012 was 20 years.

As of December 31, 2012, the most recent actuarial valuation date, the plan was 89.67 percent funded. The actuarial accrued liability of benefits was \$697,978, and the actuarial value of assets was \$625,861, resulting in an unfunded actuarial accrued liability (UAAL) of \$72,117. The covered payroll (annual payroll of active employees covered by the plan) was \$774,078, and the ratio of all UALL to the covered payroll was 9.32 percent.

**REQUIRED 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, 2013

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance - Favorable (Unfavorable)
Revenues from operations:					
Municipal water sales	\$ 2,496,750	\$ -	2,496,750	\$ 1,248,375	\$ 1,248,375
Fixed water assessments	357,689	2,187	359,876	373,013	(13,137)
	<u>2,854,439</u>	<u>2,187</u>	<u>2,856,626</u>	<u>1,621,388</u>	<u>1,235,238</u>
Operating expenses:					
Directors fees	12,600	-	12,600	12,600	-
Payroll	564,932	235,810	800,742	896,662	95,920
Retirement	53,318	20,582	73,900	85,631	11,731
Professional fees	199,148	(735)	198,413	217,950	19,537
Contracted services	31,268	-	31,268	24,000	(7,268)
Maintenance and repairs	79,889	(7,257)	72,632	60,000	(12,632)
Insurance	114,349	-	114,349	204,850	90,501
Depreciation	305,248	(305,248)	-	-	-
Amortization	1,400	(1,400)	-	-	-
Telephone	11,475	-	11,475	10,500	(975)
Utilities	7,932	-	7,932	9,000	1,068
Fuel and lubricants	93,558	(10,980)	82,578	100,000	17,422
Water master fee	29,289	-	29,289	31,356	2,067
Materials	104,820	-	104,820	120,000	15,180
Project and equipment costs	-	1,076,660	1,076,660	36,000	(1,040,660)
Supplies	14,493	-	14,493	10,500	(3,993)
Uniforms	8,689	-	8,689	9,500	811
Employee recognition	4,772	-	4,772	6,000	1,228
Postage	3,688	-	3,688	8,000	4,312
Election, legal notices, etc.	4,421	-	4,421	5,044	623
Taxes - payroll	47,348	17,291	64,639	72,559	7,920
Dues and subscriptions	10,193	-	10,193	6,000	(4,193)
Travel	186	-	186	1,000	814
	<u>1,703,016</u>	<u>1,024,723</u>	<u>2,727,739</u>	<u>1,927,152</u>	<u>(800,587)</u>
Income (loss) from operations	<u>1,151,423</u>	<u>(1,022,536)</u>	<u>128,887</u>	<u>(305,764)</u>	<u>434,651</u>
Nonoperating revenues (expenses):					
Rental income	64,586	-	64,586	70,682	(6,096)
SAWS	190,211	-	190,211	195,917	(5,706)
Other	35,311	(10,612)	24,699	20,000	4,699
Interest	44,210	-	44,210	28,472	15,738
Debt service	(178,992)	(166,877)	(345,869)	(345,869)	-
	<u>155,326</u>	<u>(177,489)</u>	<u>(22,163)</u>	<u>(30,798)</u>	<u>8,635</u>
Change in net position	<u>1,306,749</u>	<u>(1,200,025)</u>	<u>106,724</u>	<u>(336,562)</u>	<u>443,286</u>
Implementation of GASB 63 & 6	(126,543)	-	(126,543)	-	(126,543)
Net position beginning of year	17,597,877	-	17,597,877	17,597,877	-
Net position end of year	<u>\$ 18,778,083</u>	<u>\$ (1,200,025)</u>	<u>\$ 17,578,058</u>	<u>\$ 17,261,315</u>	<u>\$ 316,743</u>

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

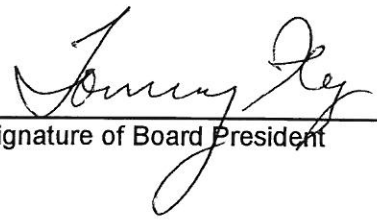
**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**

**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, 2013, was reviewed and approved at a meeting of the Board of Directors of the District on the 14th day of April, 2014.



\_\_\_\_\_  
Signature of Board Secretary



\_\_\_\_\_  
Signature of Board President