

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

**AUDITED FINANCIAL STATEMENTS**

DECEMBER 31, 2017

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## **Independent Auditor's Report**

March 14, 2018

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, 2017, 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, 2017, 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.

## **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 26 and the schedule of employer contributions on page 27 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, 2017**

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, 2017. 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 continued in 2017. The major projects continued on pace with no substantial changes. The office manager retired and was replaced with an employee of the District. There were no other significant changes to management or other key employees of the District.

**FINANCIAL HIGHLIGHTS**

The assets and deferred outflows of the District exceeded its liabilities and deferred inflows of the District at the close of the year ending December 31, 2017 by \$23,321,906. Of that amount, \$6,921,350 (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 \$1,607,124 for the year ended December 31, 2017.

The District's operating revenues increased \$309,617 over the prior year.

The District's ending total assets equaled \$25,919,734, which represents a 5.3% increase over the prior year.

The District's total debt decreased by \$185,000 during the year ending December 31, 2017.

**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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Year ended December 31, 2017

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 \$23,321,906 as of December 31, 2017. 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.

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Year ended December 31, 2017**

**Table 1 - Summary of Net Position**

	<u>2017</u>	<u>2016</u>	Increase (Decrease)
Current and other assets	\$ 7,942,801	\$ 7,254,854	\$ 687,947
Capital assets	17,976,933	17,244,986	731,947
Total assets	<u>25,919,734</u>	<u>24,499,840</u>	<u>1,419,894</u>
Deferred outflows of resources	<u>186,482</u>	<u>111,418</u>	<u>75,064</u>
Current liabilities	244,147	291,476	47,329
Long-term liabilities	2,420,000	2,605,000	185,000
Total liabilities	<u>2,664,147</u>	<u>2,896,476</u>	<u>232,329</u>
Deferred inflows of resources	<u>120,163</u>	<u>-</u>	<u>(120,163)</u>
Net position:			
Invested in capital assets, net of related debt	15,556,933	14,639,986	916,947
Restricted for debt service	843,623	240,474	603,149
Unrestricted	6,921,350	6,834,322	87,028
Total net position	<u>\$ 23,321,906</u>	<u>\$ 21,714,782</u>	<u>\$ 1,607,124</u>

**THE DISTRICT'S FUNDS**

Table 1 below presents a summary of revenues for 2017 and 2016 and the amount of change in relation to the prior year.

**Table 1 - Revenues**

	<u>2017</u>	<u>2016</u>	Increase (Decrease)
Municipal water sales	\$ 2,836,308	\$ 2,696,490	\$ 139,818
Fixed water assessments	352,329	352,098	231
Irrigation water sales	287,052	117,484	169,568
Investment earnings	51,878	46,474	5,404
Other	164,345	116,551	47,794
	<u>\$ 3,691,912</u>	<u>\$ 3,329,097</u>	<u>\$ 362,815</u>

The Table 2 below represents a summary of expenses for 2017 and 2016 and the amount of change in relation to the prior year.

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Year Ended December 31, 2017**

**Table 2 - Expenses**

	<u>2017</u>	<u>2016</u>	Increase (Decrease)
Payroll	\$ 774,276	\$ 877,078	\$ (102,802)
Professional fees	173,805	194,773	(20,968)
Contracted services	24,366	56,262	(31,896)
Maintenance and repairs	59,085	37,718	21,367
Insurance	161,598	184,408	(22,810)
Materials	149,756	174,914	(25,158)
Taxes	56,600	68,328	(11,728)
Operations	574,405	595,201	(20,796)
Interest	110,897	160,683	(49,786)
	<u>\$ 2,084,788</u>	<u>\$ 2,349,365</u>	<u>\$ (264,577)</u>

**Budgetary highlights**

The District reported overall revenues of \$3,691,912 versus the budget estimate of \$3,712,720 for a negative variance of \$20,808.

**Capital Assets and Debt Administration**

**Capital Assets**

At December 31, 2017 the District had \$17,976,933 invested in capital assets, including land, dam, water system, equipment, vehicles, etc. This amount represents a net increase (additions, deductions, and depreciation) of \$731,947.

	<u>2017</u>	<u>2016</u>
Land	\$ 417,377	\$ 417,377
Buildings	183,508	183,508
Machinery and equipment	2,552,913	2,468,638
Dam and water system	19,914,543	18,929,313
Vehicles	523,744	511,656
Other	<u>99,230</u>	<u>99,230</u>
	23,691,315	22,609,722
Accumulated depreciation	<u>(5,714,382)</u>	<u>(5,364,736)</u>
	<u>\$17,976,933</u>	<u>\$17,244,986</u>

**Debt Outstanding**

At year end the District had \$2,420,000 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, 2017

<b>Assets</b>	
Cash	\$ 7,671,636
Accounts receivable:	
Fixed water assessments - net	83,367
Other	49,302
Inventory	14,105
Accrued interest	11,353
Prepaid expenses	113,038
Capital assets	17,976,933
Total assets	<u>25,919,734</u>
<b>Deferred outflows of resources</b>	
Contract revenue note discount	8,356
Pension contributions after measurement date	68,033
Net pension asset	21,445
Difference in earnings - pension	84,080
Difference in assumptions - pension	4,568
Total deferred outflows of resources	<u>186,482</u>
<b>Liabilities</b>	
Accounts payable	32,440
Deferred revenue	149,014
Accrued liabilities	62,693
Contract revenue notes	2,420,000
Total liabilities	<u>2,664,147</u>
<b>Deferred inflows of resources</b>	
Difference in experience - pension	120,163
Total deferred inflows of resources	<u>120,163</u>
<b>Net position</b>	
Invested in capital assets, net of related debt	15,556,933
Restricted for debt service	843,623
Unrestricted	6,921,350
Total net position	<u>\$ 23,321,906</u>

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, 2017**

Operating revenues:	
Municipal water sales	\$ 2,836,308
Irrigation water sales	287,052
Fixed water assessments	352,329
	<u>3,475,689</u>
Operating expenses:	
Directors fees	12,492
Payroll	774,276
Pension expense	67,737
Professional fees	173,805
Contracted services	24,366
Maintenance and repairs	59,085
Insurance	161,598
Depreciation	307,250
Amortization	1,108
Telephone	9,374
Utilities	9,555
Fuel and lubricants	77,334
Water master fee	34,115
Materials	149,756
Supplies	19,683
Uniforms	9,230
Employee recognition	6,499
Postage	6,496
Legal notices & recording fees	6,322
Taxes - payroll	56,600
Dues and subscriptions	6,377
Election costs	833
	<u>1,973,891</u>
Operating income	<u>1,501,798</u>
Non-operating revenues (expenses):	
Rental income	79,752
Other	84,593
Interest and dividend income	51,878
Interest	(110,897)
	<u>105,326</u>
Change in net position	1,607,124
Net position at beginning of year	21,714,782
Net position at end of year	<u><u>\$ 23,321,906</u></u>

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, 2017**

Operating activities:	
Cash received from Customers	\$ 3,183,710
Cash payments to suppliers of goods and services	(633,164)
Cash payments to employees for services	(774,276)
Net cash provided by operating activities	<u>1,776,270</u>
Capital and related financing activities:	
Other non-operating revenues	164,345
Acquisition of capital assets	(986,295)
Payments on contract revenue notes	(185,000)
Interest on contract revenue notes	(110,897)
Net cash used by capital and related financing activities	<u>(1,117,847)</u>
Investing activities:	
Interest income	51,878
Net cash provided by investing activities	<u>51,878</u>
Net increase in cash and cash equivalents	710,301
Cash and cash equivalents at beginning of year	6,961,335
Cash and cash equivalents at end of year	<u>\$ 7,671,636</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,501,798
Adjustments to reconcile income from operations to net cash used for operating activities:	
Depreciation	307,250
Amortization	1,108
Change in assets and liabilities:	
(Increase) decrease in fixed water assessments - net	2,233
(Increase) decrease in Other	(7,160)
(Increase) decrease in Inventory	(27,005)
(Increase) decrease in accrued interest	(289)
(Increase) decrease in prepaid expenses	565
(Increase) decrease in deferred outflows	(75,064)
Increase (decrease) in accounts payable	4,763
Increase (decrease) in deferred revenue	1,152
Increase (decrease) in accrued liabilities	(9,767)
Increase (decrease) in net pension liability	(43,477)
Increase (decrease) in deferred inflows	120,163
	<u>274,472</u>
Net cash provided by operating activities	<u>\$ 1,776,270</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, 2017

**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.

**BEXAR-MEDINA-ATASCOSA COUNTINES WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017

**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, 2017.

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017

**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, 2017. 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.

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**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, 2017 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.

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND  
IMPROVEMENT DISTRICT NO.1**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017

**Note 3 - Deposits and Investments**

**Deposits**

At December 31, 2017, the carrying amount of the District's cash on deposit was \$7,671,636 and the bank balance was \$8,462,573. The District's cash deposits at December 31, 2017 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 \$112,367 due as of December 31, 2017. 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, 2017:

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2016
Land and easements	\$ 417,377	\$ -	\$ -	\$ 417,377
Buildings	183,508	-	-	183,508
Water system	3,624,973	997,678	-	4,622,651
Machinery and equipment	2,468,638	84,275	-	2,552,913
Vehicles	511,656	12,088	-	523,744
Furniture and fixtures	77,041	-	-	77,041
Fencing	22,189	-	-	22,189
Project development	2,807,836	-	12,448	2,795,388
Medina dam project	6,569,402	-	-	6,569,402
Water system rehab project	5,927,102	-	-	5,927,102
	<u>22,609,722</u>	<u>1,094,041</u>	<u>12,448</u>	<u>23,691,315</u>
Less accumulated depreciation	5,364,736	349,646	-	5,714,382
	<u>\$ 17,244,986</u>	<u>\$ 744,395</u>	<u>\$ 12,448</u>	<u>\$ 17,976,933</u>



**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017

**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, 2017. 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 \$349,646.

**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, 2017:

\$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	\$ 2,420,000
Less current portion	<u>195,000</u>
	<u>\$ 2,225,000</u>

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017

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

Changes during the year ended December 31, 2017 in the contract revenue notes, including current portion, rates and due dates are as follows:

Bond Component	Balance 12/31/16	Increase	(Decrease)	Balance 12/31/17	Amount Due in 2018
Serial bonds:	\$ 185,000	\$ -	\$ (185,000)	\$ -	\$ -
	195,000	-	-	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	-
Term Bonds due 2030:	335,000	-	-	335,000	-
	<u>\$ 2,605,000</u>	<u>\$ -</u>	<u>\$ (185,000)</u>	<u>\$ 2,420,000</u>	<u>\$ 195,000</u>

Bond Component	Balance 12/31/17	Maturity Date	Rate
Serial Bonds:	\$ 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%
	<u>\$ 2,420,000</u>		

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017

**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.

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017

**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.

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND  
IMPROVEMENT DISTRICT NO.1**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017

**Note 8 - Concentrations**

The District derived approximately 77% of its income for the year ended December 31, 2017 from the water sales contracts with the SAWS. See note 7 for details of these contracts.

**Note 9 - Defined Benefit Pension Plan**

Plan Description. The District participates in the nontraditional defined benefit pension plan of 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 700 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 5 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.

**Contributions**

The District has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of the employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually. The District contributed using the actuarially determined rate of 7.42% for 2017.

The contribution rate payable by the employee members for 2017 is 7% as adopted by the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

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

Notes to Financial Statements  
December 31, 2017

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

Benefits Provided

TCDRS provides retirement, disability and death benefits. Benefit provisions are adopted by the District within the options available in the state statutes governing TCDRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the District-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefits in one of seven payment options. Members may choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>12/31/2016</u>	<u>12/31/2015</u>
Inactive employees entitled to but Not yet receiving benefits	24	24
Active employees	<u>22</u>	<u>23</u>
	<u>46</u>	<u>47</u>

Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.00%
Overall Payroll Growth	0.00%
Investment Rate of Return	8.00%

Depositing members – The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with a scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

Service Retirees, Beneficiaries and Non-Depositing Members – The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.

Disable Retirees – RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two year set-forward for females.

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

Notes to Financial Statements  
December 31, 2017

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

Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. Updated mortality assumptions were adopted in 2015. All other actuarial assumptions that determined the total pension liability as of December 31, 2016 were based on the results of an actuarial experience study for the period January 1, 2009-December 31, 2012, except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments is 8.00%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term funding needs of TCDRS.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2017 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.

The target allocation and best estimates of arithmetic real rates for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	Dow Jones U.S. Total Stock Market Index	13.50%	4.70%
Private Equity	Cambridge Associates Global Private Equity Capital Index	16.00%	7.70%
Global Equities	MSCI World (net) Index	1.50%	5.00%
International Equities – Developed	50% MSCI World Ex USA (net) + 50% MSCI USA 100% Hedged to USD (net) Index	10.00%	4.70%
International Equities – Emerging	50% MSCI EM Standard (net) Index + 50% EM 100% Hedged to USD (net) Index	7.00%	5.70%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	.60%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.70%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	3.83%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	10.00%	8.15%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.70%
REIT	67% FTSE NAREIT Equity REITs Index + FRSE EPRA/NAREIT Global Real Estate Index	2.00%	3.85%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index(4)	6.00%	7.20%
Hedge Funds	Hedge Funds Research, Inc. (HFR) Fund of Funds Composite Index	20.00%	3.85%

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

Notes to Financial Statements  
December 31, 2017

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

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions would be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current inactive employees. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine Total Pension Liability.

Discount Rate Sensitivity Analysis

The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.10%) and 1% higher (9.10%) than the current rate:

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 1,564,433	\$ 1,343,655	\$ 1,162,780
Fiduciary net position	\$ 1,365,100	\$ 1,365,100	\$ 1,365,100
Net pension liability	\$ 199,333	\$ (21,445)	\$ (202,320)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TCDRS financial report. That report may be obtained at [www.tcdrs.com](http://www.tcdrs.com).

For the year ended December 31, 2017, the district recognized pension expense was \$67,738. Also as of December 31, 2017, the District reported deferred outflows resources and deferred inflows of resources related to pensions from the following resources:

Deferred Inflows/ Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 130,109	\$ 9,945
Change in assumptions	-	4,568
Net difference between projected and actual earnings	-	84,081
Contributions made subsequent to measurement	N/A	\$ 68,033

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,	
2017	\$ 5,035
2018	\$ 5,035
2019	\$ (3,393)
2020	\$ 25,856
2021	\$ (12,336)
Thereafter (4)	\$ -



**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, 2017**

	Year Ended December 31,		
	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 131,367	\$ 100,617	\$ 99,361
Interest on total pension liability	101,751	94,671	79,612
Effect of plan changes	-	(31,494)	-
Effect of assumption changes or inputs	-	6,852	-
Effect of economic/demographic (gains) or losses	(74,014)	(102,646)	24,861
Benefit payments/refunds of cont.	(14,169)	(1,592)	(11,125)
Net change in total pension liability	144,935	66,408	192,709
Total pension liability, beginning	1,198,721	1,132,313	939,603
Total pension liability, ending (a)	<u>\$ 1,343,656</u>	<u>\$ 1,198,721</u>	<u>\$ 1,132,312</u>
Fiduciary Net Position			
Employer contributions	\$ 65,836	\$ 74,018	\$ 73,897
Member contributions	60,558	62,956	56,287
Investment income net of expenses	86,258	(21,683)	58,393
Benefit payments/refunds of contributions	(14,169)	(1,592)	(11,125)
Administrative expenses	(938)	(798)	(740)
Other	12,311	(1,459)	38
Net change in fiduciary net position	209,856	111,442	176,750
Fiduciary net position, beginning	1,155,244	1,043,802	867,052
Fiduciary net position, ending (b)	<u>\$ 1,365,100</u>	<u>\$ 1,155,244</u>	<u>\$ 1,043,802</u>
Net pension liability,(asset), ending=(a)-(b)	<u>\$ (21,444)</u>	<u>\$ 43,477</u>	<u>\$ 88,510</u>
Fiduciary net position as a % of total pension liability	101.60%	96.37%	92.18%
Pensionable covered payroll	\$ 899,373	\$ 899,373	\$ 804,106
Net pension liab as a % of covered payroll	-2.38%	4.83%	11.01%

**BEXAR-MEDINA-ATASCOSA COUNTIES WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**  
**SCHEDULE OF FUNDING PROGRESS OF PENSION PLAN**  
**Year Ended December 31, 2017**

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%
2015	\$ 65,836	\$ 65,836	\$ -	\$ 865,119	7.6%

\* TCDRS calculates actuarially determined contributions on a calendar 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, 2017

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance - Favorable (Unfavorable)
<b>Operating revenue:</b>					
Municipal water sales	\$ 2,836,308	\$ -	2,836,308	\$ 2,696,490	\$ 139,818
Fixed water assessments	352,329	-	352,329	367,220	(14,891)
Irrigation water sales	287,052	-	287,052	519,000	(231,948)
	<u>3,475,689</u>	<u>-</u>	<u>3,475,689</u>	<u>3,582,710</u>	<u>(107,021)</u>
<b>Operating expenses:</b>					
Directors fees	12,492	-	12,492	12,600	108
Travel	-	-	-	1,500	1,500
Payroll	774,276	-	774,276	1,049,481	275,205
Pension	67,737	-	67,737	75,935	8,198
Professional fees	173,805	-	173,805	258,600	84,795
Contracted services	24,366	-	24,366	28,000	3,634
Maintenance and repairs	59,085	-	59,085	100,000	40,915
Insurance	161,598	-	161,598	209,241	47,643
Depreciation	307,250	(307,250)	-	-	-
Amortization	1,108	(1,108)	-	-	-
Telephone	9,374	-	9,374	10,500	1,126
Utilities	9,555	-	9,555	9,200	(355)
Fuel and lubricants	77,334	-	77,334	75,000	(2,334)
Water master fee	34,115	-	34,115	37,000	2,885
Materials	149,756	-	149,756	150,000	244
Project and equipment costs	-	1,094,041	1,094,041	1,252,198	158,157
Supplies	19,683	-	19,683	14,000	(5,683)
Schools & siminars	-	-	-	2,500	2,500
Uniforms	9,230	-	9,230	10,500	1,270
Employee recognition	6,499	-	6,499	6,000	(499)
Postage	6,496	-	6,496	8,000	1,504
Legal notices & recording fees	6,322	-	6,322	8,000	1,678
Taxes - payroll	56,600	-	56,600	84,216	27,616
Dues and subscriptions	6,377	-	6,377	7,000	623
Election costs	833	-	833	-	(833)
	<u>1,973,891</u>	<u>785,683</u>	<u>2,759,574</u>	<u>3,409,471</u>	<u>649,897</u>
Operating Income (loss)	<u>1,501,798</u>	<u>(785,683)</u>	<u>716,115</u>	<u>173,239</u>	<u>542,876</u>
<b>Non-operating revenues (expenses):</b>					
Rental income	79,752	-	79,752	83,010	(3,258)
Other	84,593	-	84,593	20,000	64,593
Interest	51,878	-	51,878	27,000	24,878
Debt service	(110,897)	185,000	74,103	(303,249)	377,352
	<u>105,326</u>	<u>185,000</u>	<u>290,326</u>	<u>(173,239)</u>	<u>463,565</u>
Change in net position	<u>1,607,124</u>	<u>(600,683)</u>	<u>1,006,441</u>	<u>-</u>	<u>1,006,441</u>
Net position beginning of year	<u>21,714,782</u>	<u>-</u>	<u>21,714,782</u>	<u>21,714,782</u>	<u>-</u>
Net position end of year	<u>\$ 23,321,906</u>	<u>\$ (600,683)</u>	<u>\$22,721,223</u>	<u>\$21,714,782</u>	<u>\$ 1,006,441</u>

**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, 2017, was reviewed and approved at a meeting of the Board of Directors of the District on the 9th day of April, 2018.

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

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