

San Antonio Water System

Independent Accountant's Report on Applying Agreed-Upon Procedures

December 31, 2014

San Antonio Water System

Table of Contents

	Page
Independent Accountant’s Report on Applying Agreed-Upon Procedures	1
Summary of Procedures and Findings	2
Attachment I – Local Government Financial Test	4



Padgett Stratemann

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Trustees and Management
San Antonio Water System
San Antonio, Texas

We have performed the procedures enumerated on the following pages, which were agreed to by San Antonio Water System ("SAWS"), solely to assist SAWS and the specified user in evaluating management's assertion about SAWS' compliance with the financial assurances as of December 31, 2014, included in Rule §37.271 of the Texas Administrative Code (Title 30, Part 1, Chapter 37, Subchapter C) *Financial Assurance Mechanisms for Closure, Post Closure, and Corrective Action* (the "Code"). SAWS is responsible for these assertions. The Texas Commission on Environmental Quality ("TCEQ") is the specified user of this report. This engagement to apply agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the following pages, either for the purpose for which this report has been requested or for any other purpose.

Our procedures, and findings relative thereto, are set forth in the related accompanying Summary of Procedures and Findings.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of SAWS' Board of Trustees, management, and the TCEQ and is not intended to be, and should not be, used by anyone other than these specified parties.

Padgett, Stratemann + Co., L.L.P.

San Antonio, Texas
April 20, 2015

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San Antonio Water System

Summary of Procedures and Findings

1. Procedure

With reference to Section 1(C)i of the Code, perform the following:

- a. Inspect the SAWS 2014 Comprehensive Annual Financial Report and ascertain if SAWS' financial statements are prepared in conformity with generally accepted accounting principles for governments.
- b. Inspect the SAWS 2014 Comprehensive Annual Financial Report and ascertain if the financial statements are audited by an independent certified public accountant (or appropriate state agency).

Finding

We obtained a copy of the SAWS 2014 Comprehensive Annual Financial Report and inspected the independent auditor's report, dated April 2, 2015, for the years ended December 31, 2014 and 2013. We found the financial statements were prepared in conformity with generally accepted accounting principles for governments (accounting principles generally accepted in the United States of America), and the independent auditor's report was signed by an independent certified public accountant.

2. Procedure

With reference to Section 1(C)ii of the Code, obtain copies of the 2014 and 2013 SAWS Comprehensive Annual Financial Reports and the Local Government Financial Test prepared by SAWS (Attachment I) and perform the following:

- a. Inspect the Comprehensive Annual Financial Reports and the Local Government Financial Test prepared by SAWS (Attachment I) and confirm SAWS did not operate at a deficit equal to 5.0% or more of total annual revenue in each of the past two fiscal years.

Finding

We inspected the 2014 and 2013 Comprehensive Annual Financial Reports and the Local Government Financial Test prepared by SAWS (Attachment I) and confirmed SAWS did not operate at a deficit equal to 5.0% or more of total annual revenue in each of the past two fiscal years. The surplus/(deficit) ratio was 32.7% and 28.3% for 2014 and 2013, respectively.

San Antonio Water System

Summary of Procedures and Findings – Continued

3. Procedure

With reference to Section 1(C)v of the Code, obtain and inspect the opinion issued by the independent certified public accountant contained in the SAWS 2014 Comprehensive Annual Financial Report and perform the following:

- a. Inspect the SAWS 2014 Comprehensive Annual Financial Report and confirm SAWS did not receive an adverse opinion, disclaimer of opinion, or other modified opinion from the independent certified public accountant (or appropriate state agency) auditing its financial statements.

Finding

We inspected the SAWS 2014 Comprehensive Annual Financial Report and confirmed SAWS did not receive an adverse opinion, disclaimer of opinion, or other modified opinion from the independent certified public accountant (or appropriate state agency) auditing its financial statements. We found the independent auditor's report, dated April 2, 2015, states that, in the auditor's opinion, the financial statements present fairly, in all material respects, the financial position of SAWS as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

San Antonio Water System

Attachment I

Local Government Financial Test

Texas Administrative Code, Rule §37.271 – Section (1)(C)(ii)

December 31, 2014 and 2013

(Dollars in Thousands)

	<u>2014</u>	<u>2013</u>
Total annual revenues	\$ 499,643 (a)	\$ 462,339 (a)
Total expenditures	<u>336,132 (b)</u>	<u>331,600 (b)</u>
Total surplus	\$ <u>163,511 (a)-(b)=(c)</u>	\$ <u>130,739 (a)-(b)=(c)</u>
Surplus/(Deficit) ratio	32.7% (c)/(a)	28.3% (c)/(a)
Total Annual Revenues		
Operating revenues	\$ <u>499,643</u>	\$ <u>462,339</u>
Total Expenditures		
Operating expenses before depreciation	\$ 245,055	\$ 244,348
Nonoperating revenues	(5,792)	(5,410)
Nonoperating expenses	<u>96,869</u>	<u>92,662</u>
Total expenditures	\$ <u>336,132</u>	\$ <u>331,600</u>