

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2016

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2016

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	13-14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO THE FINANCIAL STATEMENTS	16-34
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	36
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	38-40
GENERAL FUND EXPENDITURES	41-42
TAXES LEVIED AND RECEIVABLE	43-44
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	45-48
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	49-50

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

9600 Great Hills Trail
Suite 150W
Austin, Texas 78759
(512) 610-2209
www.mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Denton County Fresh Water
Supply District No. 1-E
Denton County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Denton County Fresh Water Supply District No. 1-E (the "District"), as of and for the year ended September 30, 2016, 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 from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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 the 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 the 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Board of Directors
Denton County Fresh Water
Supply District No. 1-E

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

March 1, 2017

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Management's discussion and analysis of Denton County Fresh Water Supply District No. 1-E's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2016.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide portion of these statements provides both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of the government-wide statements is the Statement of Net Position. The Statement of Net Position is the District-wide statement of its financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$3,961,790 as of September 30, 2016.

The following is a comparative analysis of government-wide changes in net position:

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2016	2015	Change Positive (Negative)
Current and Other Assets	\$ 3,608,935	\$ 3,019,271	\$ 589,664
Capital Assets (Net of Accumulated Depreciation)	1,686,006	1,742,250	(56,244)
Total Assets	\$ 5,294,941	\$ 4,761,521	\$ 533,420
Due to Developer	\$ 644,346	\$ 829,346	\$ 185,000
Due to Other Governmental Units	464,827	473,018	8,191
Other Liabilities	223,978	124,198	(99,780)
Total Liabilities	\$ 1,333,151	\$ 1,426,562	\$ 93,411
Net Position:			
Net Investment in Capital Assets	\$ 1,686,006	\$ 1,742,250	\$ (56,244)
Restricted	2,465,605	2,376,130	89,475
Unrestricted	(189,821)	(783,421)	593,600
Total Net Position	\$ 3,961,790	\$ 3,334,959	\$ 626,831

The following table provides a summary of the District's operations for the years ended September 30, 2016, and September 30, 2015. The District's net position increased by \$626,831, accounting for a 18.8% increase in net position.

	Summary of Changes in the Statement of Activities		
	2016	2015	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,744,893	\$ 2,669,685	\$ 75,208
Charges for Services	1,446,247	1,390,795	55,452
Franchise Fees	71,419	78,527	(7,108)
Other Revenue	6,018	7,082	(1,064)
Total Revenues	\$ 4,268,577	\$ 4,146,089	\$ 122,488
Expenses for Services	3,641,746	4,853,403	1,211,657
Change in Net Position	\$ 626,831	\$ (707,314)	\$ 1,334,145
Net Position, Beginning of Year	3,334,959	4,042,273	(707,314)
Net Position, End of Year	\$ 3,961,790	\$ 3,334,959	\$ 626,831

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2016, were \$3,353,897, an increase of \$486,120 from the prior year.

The General Fund fund balance increased by \$398,930. Service revenues and property tax revenues exceeded costs of operating the District's water and wastewater systems and a developer reimbursement.

The Debt Service Fund fund balance increased by \$87,190, primarily due to property tax revenues exceeding the current year contract tax payment to the City of Lewisville.

The Capital Projects Fund fund balance did not change during the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$3,319 more than budgeted revenues. Actual expenditures were \$7,922 more than budgeted.

CAPITAL ASSETS

A portion of the District's water, wastewater, drainage and roadway facilities were paid for from proceeds of the City of Lewisville – Lewisville Castle Hills Public Improvement District No. 3 bond proceeds. The City of Lewisville has recorded these assets on the books of the City. The District also shares in the cost of the capital assets that Denton County Fresh Water Supply District No. 1-A purchases and records on its books. In addition, the District has recorded capital assets and intangible assets for the water, wastewater, drainage and roadway facilities that have been funded through other available monies, including advances by the developer of the District. The District's investment in capital assets as of September 30, 2016, amounts to \$1,686,006 (net of accumulated depreciation).

Capital Assets At Year-End, Net of Accumulated Depreciation

	2016	2015	Change Positive (Negative)
Capital Assets, Net of Accumulated Depreciation:			
Water System	\$ 465,803	\$ 478,810	\$ (13,007)
Wastewater System	372,994	383,392	(10,398)
Road System	657,696	676,597	(18,901)
Investment in Shared Lift Station	189,513	203,451	(13,938)
Total Net Capital Assets	\$ 1,686,006	\$ 1,742,250	\$ (56,244)

Additional information on the District's capital assets can be found in Note 4 of this report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Denton County Fresh Water Supply District No. 1-E, c/o Winstead PC, 2728 N. Harwood Street, Suite 500, Dallas, Texas 75201

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2016

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 787,258	\$
Cash with Other Governmental Entities		2,418,468
Receivables:		
Property Taxes	2,364	28,696
Service Accounts (Net of Allowance for Doubtful Accounts of \$-0-)	182,373	
Franchise Fees	28,413	
Due from Other Funds	125	
Prepaid Costs	6,498	
Due from Other Governmental Units	72,977	57,887
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 1,080,008	\$ 2,505,051

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 24,001	\$ 811,259	\$	\$ 811,259
	2,418,468		2,418,468
	31,060		31,060
	182,373		182,373
	28,413		28,413
	125	(125)	
	6,498		6,498
	130,864		130,864
		<u>1,686,006</u>	<u>1,686,006</u>
<u>\$ 24,001</u>	<u>\$ 3,609,060</u>	<u>\$ 1,685,881</u>	<u>\$ 5,294,941</u>

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2016

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 68,534	\$
Due to Other Funds		
Due to Other Governmental Units	41,647	63,322
Security Deposits	50,475	
Long Term Liabilities:		
Due to Other Governmental Units		
Due to Developer		
TOTAL LIABILITIES	\$ 160,656	\$ 63,322
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 2,364	\$ 28,696
 FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 6,498	\$
Restricted for Authorized Construction		
Restricted for Debt Service		2,413,033
Unassigned	910,490	
TOTAL FUND BALANCES	\$ 916,988	\$ 2,413,033
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,080,008	\$ 2,505,051
 NET POSITION		
Net Investment in Capital Assets		
Restricted for:		
Debt Service		
Capital Projects		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 68,534	\$	\$ 68,534
125	125	(125)	
	104,969		104,969
	50,475		50,475
		464,827	464,827
		644,346	644,346
<u>\$ 125</u>	<u>\$ 224,103</u>	<u>\$ 1,109,048</u>	<u>\$ 1,333,151</u>
<u>\$ -0-</u>	<u>\$ 31,060</u>	<u>\$ (31,060)</u>	<u>\$ -0-</u>
\$	\$ 6,498	\$ (6,498)	\$
23,876	23,876	(23,876)	
	2,413,033	(2,413,033)	
	910,490	(910,490)	
<u>\$ 23,876</u>	<u>\$ 3,353,897</u>	<u>\$ (3,353,897)</u>	<u>\$ - 0 -</u>
<u>\$ 24,001</u>	<u>\$ 3,609,060</u>		
		\$ 1,686,006	\$ 1,686,006
		2,441,729	2,441,729
		23,876	23,876
		<u>(189,821)</u>	<u>(189,821)</u>
		<u>\$ 3,961,790</u>	<u>\$ 3,961,790</u>

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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

Total Fund Balances - Governmental Funds		\$ 3,353,897
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		1,686,006
Deferred tax revenues for the 2015 and prior tax levies became part of recognized revenue in the governmental activities of the District.		31,060
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Due to Other Governmental Units	\$ (464,827)	
Due to Developer	<u>(644,346)</u>	<u>(1,109,173)</u>
Total Net Position - Governmental Activities		<u>\$ 3,961,790</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 718,663	\$ 2,022,466
Water Service	782,656	
Wastewater Service	446,303	
Solid Waste Revenue	153,361	
Penalty and Interest	4,030	4,930
Permit and Inspection Fees	54,967	
Franchise Fees	71,419	
Investment Revenues	17	350
Miscellaneous Revenues	5,651	
TOTAL REVENUES	\$ 2,237,067	\$ 2,027,746
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 43,193	\$
Contracted Services	236,602	14,856
Allocated Costs to District 1-A	940,632	
Purchased Water and Wastewater Services	401,844	
Utilities	847	
Repairs and Maintenance	6,404	
Depreciation		
Other	16,559	5,000
Capital Outlay	7,056	
Debt Service:		
Contract Tax Obligation - City of Lewisville		1,920,700
TOTAL EXPENDITURES/EXPENSES	\$ 1,653,137	\$ 1,940,556
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 583,930	\$ 87,190
OTHER FINANCING SOURCES (USES)		
Developer Reimbursement	\$ (185,000)	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 398,930	\$ 87,190
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2015	518,058	2,325,843
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2016	\$ 916,988	\$ 2,413,033

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 2,741,129	\$ 3,764	\$ 2,744,893
	782,656		782,656
	446,303		446,303
	153,361		153,361
	8,960		8,960
	54,967		54,967
	71,419		71,419
	367		367
	<u>5,651</u>		<u>5,651</u>
<u>\$ - 0 -</u>	<u>\$ 4,264,813</u>	<u>\$ 3,764</u>	<u>\$ 4,268,577</u>
\$	\$ 43,193	\$	\$ 43,193
	251,458		251,458
	940,632		940,632
	401,844		401,844
	847		847
	6,404		6,404
		48,053	48,053
	21,559		21,559
	7,056		7,056
	<u>1,920,700</u>		<u>1,920,700</u>
<u>\$ - 0 -</u>	<u>\$ 3,593,693</u>	<u>\$ 48,053</u>	<u>\$ 3,641,746</u>
<u>\$ - 0 -</u>	<u>\$ 671,120</u>	<u>\$ (44,289)</u>	<u>\$ 626,831</u>
<u>\$ - 0 -</u>	<u>\$ (185,000)</u>	<u>\$ 185,000</u>	<u>\$ -0-</u>
<u>\$ - 0 -</u>	<u>\$ 486,120</u>	<u>\$ (486,120)</u>	<u>\$</u>
		626,831	626,831
<u>23,876</u>	<u>2,867,777</u>	<u>467,182</u>	<u>3,334,959</u>
<u>\$ 23,876</u>	<u>\$ 3,353,897</u>	<u>\$ 607,893</u>	<u>\$ 3,961,790</u>

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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Net Change in Fund Balances - Governmental Funds	\$	486,120
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.</p>		3,764
<p>Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.</p>		(48,053)
<p>Governmental funds report developer reimbursement as other financing uses in the period paid. However, in the Statement of Net Position, developer reimbursements decreased amounts recorded as Due to Developer and the Statement of Activities is not affected.</p>		<u>185,000</u>
Change in Net Position - Governmental Activities	\$	<u>626,831</u>

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1. CREATION OF DISTRICT

By the terms of an election held on January 17, 1983, voters approved the creation of the Denton County Fresh Water Supply District No. 1, now known as Denton County Fresh Water Supply District No. 1-A (District No. 1-A). As a result of another election held on August 8, 1987, the voters approved District No. 1-A's assumption of certain rights, authority, privileges and functions of a road district and approved for District No. 1-A to purchase, construct, acquire, own, operate, repair, improve and extend sanitary sewer systems. On December 21, 1993, following a hearing, the governing board of District 1-A approved the conversion of District No. 1-A to a Water Control and Improvement District and conversion to operating under Chapter 51 of the Texas Water Code and specifically reserved certain rights under Sections 53.029, 53.030 through 53.035, 53.037 through 53.041, 53.111, 53.112, 53.121, and 53.125 of the Texas Water Code.

At an election held within the boundaries of District No. 1-A on May 1, 1999, voters approved the division of District No. 1-A into two new districts of which Denton County Fresh Water Supply District No. 1-E (the District) was one. The District held its first meeting on May 27, 1999. Pursuant to the provisions of Chapters 49, 51 and 53 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, roadways, solid waste collection and disposal, including recycling, parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The District has contracted with District No. 1-A to operate the utility system within the District. The District and its operations is part of the eight Districts which make up the community referred to as Castle Hills.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). In addition, the accounting records of the District are maintained in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting.

GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets — This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Position — This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position — This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

As discussed above, the District’s fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting debt service taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days of year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$10,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water system	10-45
Wastewater system	10-45
Drainage system	10-45
Road system	10-50
All Other equipment	3-20

Budgeting

Pursuant to the Operating Agreement (Note 10), District No. 1-A will prepare and submit to the District for its review on or about September 1 of each year an annual operating and maintenance budget. For fiscal year ending September 30, 2016, the District’s Board acknowledged the receipt of the annual budget provided by District No. 1-A.

Pensions

The District does not have employees, except that the Internal Revenue Service has determined that directors are considered to be “employees” for federal payroll tax purposes only. A pension plan has not been established. The District has funded payroll costs to District No. 1-A. District No. 1-A operates the District’s utility system on behalf of the District and handles pension provisions for its employees.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the balance sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental funds types increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocated Costs

Pursuant to the Operating Agreement (Note 10), District No. 1-A pays all expenses required to maintain, operate and manage the facilities of the District and all expenses related to management of the District. On a monthly basis District No. 1-A allocates to the District its allocable share of expenses which is reflected as allocated cost on the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances.

Accounting 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 the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. As of September 30, 2016, the District's deposits were fully covered by federal depository insurance.

The District is a participant of a pooled cash account. The consolidated cash account is allocated between districts with operations within the Castle Hills development. At September 30, 2016, the total pooled cash bank balance consisted of \$4,973,952 in cash and \$469,417 in certificates of deposit. The book balance of the total pooled cash account was \$5,203,429. As of September 30, 2016, the book balance of the District's share of pooled cash was a deficit of \$206,245.

The District also had deposits in non-pooled cash accounts. As of September 30, 2016, the bank balance of these deposits was \$1,020,929 and the book balance was \$1,017,504.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management. All District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

During the current fiscal year, the District had no investments as described above; however, when possible the District's bank deposits are placed in interest bearing accounts.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 4. CAPITAL ASSETS

The District's water, wastewater, drainage and roadway facilities were funded from proceeds of the City of Lewisville — Lewisville Castle Hills Public Improvement District No. 3 bond proceeds, (see Note 8). The City of Lewisville has recorded these assets in its records. The District also shares in the cost of capital assets that District No. 1-A purchases and records in its records.

In addition, the District has recorded capital assets and intangible assets for the water, wastewater, drainage and roadway facilities that have been funded through other available monies, including advances by the developer of the District.

Capital asset activity for the year ended September 30, 2016:

	October 1, 2015	Increases	Decreases	September 30, 2016
Capital Assets Subject to Depreciation				
Water System	\$ 585,298	\$	\$	\$ 585,298
Wastewater System	467,916			467,916
Road System	832,375			832,375
Investment in Shared Lift Station	266,795		8,191	258,604
Total Capital Assets Subject to Depreciation	<u>\$ 2,152,384</u>	<u>\$ - 0 -</u>	<u>\$ 8,191</u>	<u>\$ 2,144,193</u>
Less Accumulated Depreciation				
Water System	\$ 106,488	\$ 13,007	\$	\$ 119,495
Wastewater System	84,524	10,398		94,922
Road System	155,778	18,901		174,679
Investment in Shared Lift Station	63,344	5,747		69,091
Total Accumulated Depreciation	<u>\$ 410,134</u>	<u>\$ 48,053</u>	<u>\$ - 0 -</u>	<u>\$ 458,187</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,742,250</u>	<u>\$ (48,053)</u>	<u>\$ 8,191</u>	<u>\$ 1,686,006</u>

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 4. CAPITAL ASSETS (Continued)

On April 19, 2006, the District executed a Cost Sharing Agreement with Denton County Fresh Water Supply District Nos. 1-A, 1-B, 1-C and 1-D. The agreement provided for the sharing of costs for the construction of certain lift station facilities. District No. 1-A owns the facilities for the benefit of the residents and the property located within the original boundaries of Denton County Fresh Water Supply District No. 1, which includes the District, District No. 1-B, District No. 1-C and District No. 1-D. On September 23, 2009, the District executed an Excess Capacity Purchase Agreement (ECPA) with District No. 1-A, District No. 1-B, District No. 1-C, District No. 1-D, District No. 1-F, District No. 1-G, and District No. 1-H. This agreement reallocates the shared cost for the construction of the lift station facilities based on capacity. The capacity allocated to each participant was based upon the estimated total sewer connections as of September 30, 2016.

District No. 1-B	19.18%
District No. 1-C	1.92
District No. 1-D	23.49
District No. 1-E	23.89
District No. 1-F	29.13
District No. 1-G	2.36
District No. 1-H	<u>0.03</u>
Total	<u>100.00%</u>

District Nos. 1-B, 1-C, 1-D and 1-E are defined in the ECPA as “Selling Districts”. It is the intent of the Selling Districts to sell excess capacity to District Nos. 1-F, 1-G and 1-H based on the actual capacity needed as development occurs within their respective district. The cost of capacity to District Nos. 1-F, 1-G and 1-H will be calculated based upon the provisions outlined in the ECPA.

NOTE 5. NONCURRENT LIABILITIES

Developer Liability

On May 27, 1997, the District executed an Agreement for Construction and Purchase of Facilities and Reimbursements for Cost with Castle Hills Development Corporation (the Developer) to provide the advancement of monies to facilitate the operations of the District. Advances from the developer are reported as a liability on the Statement of Net Position. The activity in the developer liability for the year ended September 30, 2016 was:

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5. NONCURRENT LIABILITIES

Developer Liability (Continued)

	Beginning Balance	Additions	Repayments	Ending Balance
Due to Developer	\$ 829,346	\$ - 0 -	\$ 185,000	\$ 644,346

Due to District No. 1-A

Effective May 20, 2009, the District entered into a reimbursement agreement between Castle Hills Development Corporation, Bright Realty, Ltd., Bright Farm Partnership, Bright & Company, Inc., Castle Hills Property Company (collectively Bright Entities), District No. 1-A, District No. 1-C, District No. 1-D, the District, District No. 1-F, District No, 1-G, and District No. 1-H (collectively the Districts).

For advances made by Bright Entities on or before November 20, 2006, the Districts will reimburse the relevant Bright Entity for 100% of such advances. For advances made by a Bright Entity after November 20, 2006, the Districts will transfer reimbursement funds to District No. 1-A. District No. 1-A will act as a clearinghouse for receipt of reimbursement proceeds and for the deployment of such proceeds to any District that would otherwise require an advance from a Bright Entity. Any reimbursement for advances received by District No. 1-A will be considered as a full complete release of that particular District’s obligation pursuant to existing developer reimbursement agreements. Such amounts due to District No. 1-A under this agreement are reported as a liability on the Statement of Net Position. Activity in this liability for the year ended September 30, 2016 was:

	Beginning Balance	Additions	Deductions	Ending Balance
Due to 1-A	\$ 473,018	\$ - 0 -	\$ 8,191	\$ 464,827

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6. MAINTENANCE TAX

On November 2, 1999, voters of the District approved the levy and collection of a maintenance tax in an unlimited amount per \$100 of assessed valuation of taxable property within the District. During the fiscal year ended September 30, 2016, the District levied a maintenance tax rate of \$0.2230 per \$100 of assessed valuation, which resulted in a tax levy of \$720,144 on an adjusted taxable valuation of \$322,934,624 for the 2015 tax year. The maintenance tax will be used for maintenance purposes including planning, maintaining, repairing and operating all necessary plants, properties, facilities and improvements of the District and for proper services, engineering and legal fees, and operational and administrative costs in accordance with Section 49.107 of the Texas Water Code.

NOTE 7. RESERVE PAYMENTS TO OTHER GOVERNMENTAL UNITS

In fiscal year 2011, District No. 1-A recognized the need to develop a fund balance to be used for one-time expenditures which are necessary to operate and maintain the facilities of the District. District No. 1-A accounts for the Districts' deposits in a separate reserve account and will only utilize the funds in accordance with the District No. 1-A Reserve Expense Policy, and in accordance with the allocation percentages authorized in the operating agreement with the District and adopted in the budgeting process on an annual basis. As of fiscal year September 30, 2016, the District's reserve balance is \$96,612.

NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACT

On April 26, 2001 the District, District No. 1-A and the City of Lewisville (Lewisville) executed a 2001 Joint Utility Contract. The contract states that Lewisville will proceed with financing utility and road facilities within the District through the sale of \$28,500,000 of Lewisville Castle Hills Public Improvement District No. 3 (PID 3) bonds; the first installment of these bonds were sold in the amount of \$14,000,000. In 2004, PID 3 sold \$25,000,000 in Combination Contract Revenue and Special Assessment Refunding and Capital Improvement Bonds to refund the previously sold \$14,000,000 in bonds. In 2012, PID 3 sold an additional \$2,840,000 in Combination Contract Revenue and Special Assessment Refunding and Utility System Bonds Series 2011. During the 2015 fiscal year, refunding bonds were issued in the amount of \$19,535,000 and the proceeds of the refunding bonds along with \$1,914,493 of available Debt Service Fund monies were used to refund \$21,080,000 of the outstanding balance of the Series 2004 Bonds. District No. 1-A will have primary responsibility as Project Manager and shall perform its duties in accordance with an agreement dated July 1, 2001. District No. 1-A is responsible for designating the consulting engineer on the project and will approve the projects along with Lewisville.

District No. 1-A serves as Project Manager for the purpose of easement and facilities site negotiation and acquisition as well as the inspection and supervision of the construction of

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACT (Continued)

facilities. District No. 1-A further agrees that adequate water distribution, wastewater collection and treatment capacity, storm sewer and drainage capacity and road system capacity shall be reserved in the Project-Wide Facilities to accommodate the Castle Hills Facilities.

The parties to the agreement agree that in accordance with Section 49.068 of the Texas Water Code, as amended, the District and District No. 1-A shall have the right to acquire the facilities at any time by paying to Lewisville the amount necessary to repay, redeem, refund or defease the PID 3 bonds allocable to the facilities being acquired. The parties to the agreement agree that the cost of operations and maintenance of the facilities being constructed will be borne by the districts and not Lewisville.

In order to finance the facilities being constructed with bond proceeds being issued by the PID 3 and Lewisville, the District agreed to pay Lewisville the amount necessary to repay the debt service requirements and costs of the PID Bonds as they mature. The District committed each year to levy, assess and collect a tax on all taxable property within the District, unlimited by rate or amount, sufficient to service the debt and other costs incidental to the PID 3 Bonds.

Lewisville will calculate the total amount of payments to be made on the PID 3 Bonds on the following March 1, after application of the available reserves from proceeds of the PID 3 Bonds and, if needed, will calculate an assessment on all assessable property within the PID 3, which if 95% of such assessments are collected, would be sufficient to make the entire annual payment to Lewisville.

Lewisville will notify the District of the calculation of the Annual Assessment by September 1 of each year proceeding the above-referenced March 1. During the current fiscal year, the District made contract tax payments of \$1,920,700 to the City of Lewisville in accordance with the bond covenants. The reserve fund requirement at September 30, 2016 is \$2,077,800 and the District has fully satisfied that requirement at year end. At September 30, 2016, the City of Lewisville is holding \$2,418,468 in trust for the District, including reserve funds. The amounts held in trust in excess of the reserve requirement are available to cover debt service required of PID 3.

The following are the amortization schedules on the existing outstanding debt the District's contract tax is expected to amortize.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACT (Continued)

PID 3 S E R I E S - 2 0 1 1			
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2017	\$	\$ 134,900	\$ 134,900
2018		134,900	134,900
2019		134,900	134,900
2020		134,900	134,900
2021		134,900	134,900
2022		134,900	134,900
2023		134,900	134,900
2024		134,900	134,900
2025		134,900	134,900
2026		134,900	134,900
2027		134,900	134,900
2028		134,900	134,900
2029		134,900	134,900
2030	1,250,000	134,900	1,384,900
2031	1,590,000	75,525	1,665,525
	\$ 2,840,000	\$ 1,964,125	\$ 4,804,125

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACT (Continued)

PID 3			
SERIES - 2015 REFUNDING			
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2017	\$ 1,150,000	\$ 638,300	\$ 1,788,300
2018	1,190,000	603,800	1,793,800
2019	1,225,000	568,100	1,793,100
2020	1,260,000	531,350	1,791,350
2021	1,295,000	493,550	1,788,550
2022	1,335,000	454,700	1,789,700
2023	1,385,000	401,300	1,786,300
2024	1,445,000	345,900	1,790,900
2025	1,515,000	273,650	1,788,650
2026	1,575,000	213,050	1,788,050
2027	1,625,000	165,800	1,790,800
2028	1,680,000	112,988	1,792,988
2029	1,730,000	58,388	1,788,388
	\$ 18,410,000	\$ 4,860,876	\$ 23,270,876

On February 1 following the date of receipt of written notification of the Annual Assessment, the District will certify to Lewisville the amount of all taxes collected. Lewisville will then, if necessary, impose an assessment with the PID 3 sufficient to pay the debt service requirement on the PID 3 Bonds as they come due. The parties to the agreement acknowledged that the tax levy would be contingent upon a one-time approval by the voters within the District. Such election occurred on November 7, 2000, and approved the levy and collection of said tax.

For the September 30, 2016, fiscal year, the District levied an ad valorem contract tax of \$2,024,800 at the rate of \$0.6270 per \$100 assessed valuation based upon an appraised taxable valuation of \$322,934,624 for the 2015 tax year. The Debt Service Fund Balance of \$2,413,033 is reserved to meet the contract debt obligations.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACT (Continued)

The term of the agreement is forty (40) years.

The Districts tax calendar is as follows:

- Levy Date - October 1, as soon thereafter as practicable.
- Lien Date - January 1.
- Due Date - Not later than January 31.
- Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 9. WATER SUPPLY AGREEMENTS

Upper Trinity Regional Water District Regional Treated Water Supply Service Contract for Additional Participating Member

On May 7, 1992, Denton County Fresh Water Supply District No. 1 executed an agreement with the Upper Trinity Regional Water District (UTRWD) to provide treated water to participants in the UTRWD. District No. 1-A has assumed the obligations of District No. 1 under the terms of this agreement. The UTRWD has agreed to use its best efforts to build the facilities called for in this agreement and to issue debt to fund the cost of the facilities.

The governing body of each contract member, each participating member and Denton County are entitled to appoint a qualified person to serve on the Board. The governing body of each customer can appoint one member of the governing body or an employee as a member of the Customer Advisory Council (Council) of the UTRWD. The Council will consult with and advise the UTRWD and Board on all pertinent matters related to operation of UTRWD.

The supply of water on a minimum demand, on an interim basis, is for 0.50 million gallons of water per day (MGD) and 3.0 MGD for regular service. Each member can adjust the regular service amount upon mutual agreement of the members. A determination of demand on an annual basis that takes into account actual usage for the most recent five (5) water years and projected needs for the next water year will be made. Payments will be comprised of three components including an Operation and Maintenance Component, a Capital Component and a special reserve for operation and maintenance cost of the system. Annual budgets will be prepared for the system. The District will pay its part of the annual requirement in monthly installments.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 9. WATER SUPPLY AGREEMENTS (Continued)

Upper Trinity Regional Water District Regional Treated Water Supply Service Contract for Additional Participating Member (Continued)

The agreement provides for water conservation and drought contingency issues. The term of the contract is thirty (30) years or as long as the bonds issued remain outstanding. The Contract has a twenty (20) year extension provision.

Upper Trinity Regional Water District Contract for Non-Potable Water Service with Denton County Fresh Water Supply District No. 1.

On March 8, 1995, the Upper Trinity Regional Water District executed an agreement with the Denton County Fresh Water Supply District No. 1 (District No. 1) to provide for the supply of non-potable water to District No. 1. District No. 1-A has assumed the obligations of District No. 1 under the terms of this agreement.

District No. 1 desired to develop the ability to have a dual delivery system to provide non-potable water and UTRWD agreed to provide such a water source. District No. 1-A has agreed to make sufficient payments to assure adequate funds to fulfill its obligations under the contract terms. The minimum capacity reserved for the District is 3.35 million gallons per day (MGD).

The UTRWD agreed to provide the necessary equipment and devices of standard type required for measuring the quantity of non-potable water delivered. Sixty (60) days after the end of a fiscal year, District No. 1-A will report to UTRWD the number of gallons of non-potable raw water and non-potable treated wastewater effluent used for irrigation, make-up water for lakes and ponds and other purposes. Also reported would be the estimated annual water requirements for each of the next five (5) years for both types of water and an estimate of demand for the next year.

The UTRWD will choose the consulting engineers and provide for the construction of the system to provide the non-potable water. The sale of bonds by the UTRWD will be considered for funding the facilities. Payments will be comprised of three components including an Operation and Maintenance Component, a Capital Component and a special reserve for operation and maintenance cost of the system. Annual budgets will be prepared for the system. The District will pay its annual payment including facilities charges and charges for the actual volume of water taken. The agreement is in effect for thirty (30) years from the effective date of the agreement. On October 1, 1997, the District started funding the cost of the agreement with the UTRWD.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 9. WATER SUPPLY AGREEMENTS (Continued)

Wholesale Water Supply Agreement with the City of Lewisville

On January 28, 2008, District No. 1-A entered into a wholesale water supply agreement with the City of Lewisville (City). The City agrees to provide wholesale water supply to District No. 1-A for the City Wholesale Service Area. Within the City Wholesale Service Area, District No. 1-A agrees not to use potable water, including ground water, from any source or facilities other than from the City system without the prior written consent of the City Council of the City. District No. 1-A agrees, at its sole expense, to design and construct the infrastructure necessary to enable the City to connect the City system to Castle Hills Subdivision’s system.

District No. 1-A will be charged a two-part rate, consisting of a volume rate and a demand rate (Charges), based on the City Wholesale Service Area’s treated water consumption and Maximum Day Demand. The initial demand capacity requested from the City is 300,000 gallons per day.

The initial volume rate was \$1.49 per 1,000 gallons and demand rate of \$299,160 per million gallons per day, paid monthly. The term of this agreement ends the earlier of August 18, 2032, or such date specified for District 1-A’s annexation by the City.

NOTE 10. OPERATING AGREEMENT

On September 18, 2001, to be effective October 1, 2001, the District entered into an Operating Agreement with Denton County Fresh Water Supply District No. 1-A (District No. 1-A). District No. 1-A is responsible for operating, maintaining, and managing the Facilities to be constructed within the boundaries of the once defined Denton County Fresh Water Supply District No. 1. District Nos. 1-B, 1-C, 1-D, 1-E, 1-F, 1-G and 1-H are referred to as the “participating Districts” in this footnote.

District No. 1-A is responsible for preparing and submitting to the District a Facilities Operating and Maintenance Budget (FOMB) by September 1 of each year for the next fiscal year expected to start October 1. With the exception of expenses based on customer usage, if the total actual costs do not exceed the FOMB by more than 12%, the District’s revision requests are only advisory. If the reverse is true, the new budget will not take effect until approved by the Board of Directors of the District. District No. 1-A shall be authorized to make expenditures not approved in the FOMB if, 1.) Immediately required by law or, 2.) Not in excess of \$5,000, with notification efforts being made to the applicable District.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 10. OPERATING AGREEMENT (Continued)

District No. 1-A agreed to handle all aspects of operating the District including contracting for consultants, negotiating with various utility companies, coordinating with various governmental entities, reviewing all statements, invoices and billings, supervising and coordinating contractors, verifying insurance on contractors and facilities and recommending water and sewer rates. District No. 1-A will employ personnel as required.

The District agreed to institute a rate order containing water, sewer, solid waste collection, building permits and inspection fees. District No. 1-A agreed to provide such issuance of permits and inspection fees and management of the utility system. The fees for such permits and inspection services, payable to the District, will be the amount charged for the services. The District agreed to fund a pro-rata portion of overhead cost incurred by District No. 1-A from proceeds of the water, sewer and solid waste collection revenues.

On August 17, 2005, the District approved the Amended and Restated Operating Agreement. This agreement was effective October 1, 2005. In accordance with the agreement, costs of the maintenance of the facilities within districts of the Castle Hill Subdivision shall be allocated to each district based on the basis of projected water connections. Projected water connections are defined as those new connections that are projected to occur during the next succeeding fiscal year for all the districts. Each district's cost will be calculated based upon a fraction, the numerator of which shall be the total number of actual and projected water connections within each district divided by the total number of actual and projected water connections within all of the districts. Such fraction shall be calculated as of the first day of the fiscal year in which such fraction is to be used to allocate such costs among the districts and shall be recalculated as of the first of each succeeding fiscal year thereafter.

On September 17, 2008, the District approved the Amended and Restated Operating Agreement. This agreement was effective on October 1, 2008. All other provisions remain the same, with the exception of the allocation of the maintenance costs. In accordance with the agreement, costs of the maintenance of the facilities within the districts of the Castle Hills Subdivision shall be allocated to each district on the basis of projected property values. Projected property values are defined as the combined total value of all property that exists on January 1 of the current fiscal year plus that which is projected to be added during the next succeeding fiscal year for the districts.

Each district's cost will be calculated based upon a fraction that is calculated by dividing the total projected property value on January 1 the year immediately following the completion of the fiscal year being budgeted within each district divided by the total projected property value on January 1 the year immediately following the completion of the fiscal year being budgeted within all of the districts. Such fraction shall be calculated as of the first day of the fiscal year in which such

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 10. OPERATING AGREEMENT (Continued)

fraction is to be used to allocate such costs among the districts and shall be recalculated as of the first day of each succeeding fiscal year thereafter. This agreement terminates on the fortieth (40th) anniversary of October 1, 2008.

NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT

In June, 2009, the District, District No. 1-A, District No. 1-B, District No. 1-C, District No. 1-D, District No. 1-F, District No. 1-G, and District No. 1-H approved a Strategic Partnership Agreement (SPA) with the City of Lewisville. The Agreement allowed the City of Lewisville to annex certain properties for the limited purpose of imposing a sales and use tax on certain properties within each District. The sales and use tax collected will be used first to cover the cost of the City of Lewisville providing public safety services to the Districts. If, after all public safety costs are covered, there are surplus funds, then those funds are split 50%/50% between the City of Lewisville and District No. 1-A.

Upon receipt of surplus funds, District No. 1-A will allocate those funds to the District(s) that generated the sales and use tax. The Agreement specifies that a District that receives funds from the SPA must first use those funds to repay any outstanding developer debt. If no outstanding developer debt exists, the funds can be used for any lawful purpose. The Agreement will expire June, 2019 unless the City of Lewisville either 1) renews the agreement, or 2) fully annexes the District.

The District only recognizes revenue for the allocated surplus as strategic partnership revenue. The District's share of public safety costs that was offset directly from sales tax collected from the City of Lewisville was \$7,356.

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 13. BOND ELECTION

On November 7, 2000, voters within the District approved for the District to issue bonds in the maximum amount of \$28,500,000 for new money bonds and \$28,500,000 for refunding purposes.

THIS PAGE INTENTIONALLY LEFT BLANK

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 812,000	\$ 718,663	\$ (93,337)
Water Service	740,397	782,656	42,259
Wastewater Service	442,326	446,303	3,977
Solid Waste Revenue	162,525	153,361	(9,164)
Penalty and Interest	7,000	4,030	(2,970)
Permit and Inspection Fees	14,500	54,967	40,467
Franchise Fees	50,000	71,419	21,419
Investment Revenues		17	17
Miscellaneous Revenues	<u>5,000</u>	<u>5,651</u>	<u>651</u>
TOTAL REVENUES	<u>\$ 2,233,748</u>	<u>\$ 2,237,067</u>	<u>\$ 3,319</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 71,250	\$ 43,193	\$ 28,057
Contracted Services	157,118	236,602	(79,484)
Allocated Costs to District 1-A	1,016,856	940,632	76,224
Purchased Water and Wastewater Services	369,925	401,844	(31,919)
Utilities		847	(847)
Repairs and Maintenance		6,404	(6,404)
Other	30,066	16,559	13,507
Capital Outlay		<u>7,056</u>	<u>(7,056)</u>
TOTAL EXPENDITURES	<u>\$ 1,645,215</u>	<u>\$ 1,653,137</u>	<u>\$ (7,922)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 588,533</u>	<u>\$ 583,930</u>	<u>\$ (4,603)</u>
OTHER FINANCING SOURCES(USES)			
Developer Reimbursement	<u>\$ -0-</u>	<u>\$ (185,000)</u>	<u>\$ (185,000)</u>
NET CHANGE IN FUND BALANCE	\$ 588,533	\$ 398,930	\$ (189,603)
FUND BALANCE - OCTOBER 1, 2015	<u>518,058</u>	<u>518,058</u>	
FUND BALANCE - SEPTEMBER 30, 2016	<u>\$ 1,106,591</u>	<u>\$ 916,988</u>	<u>\$ (189,603)</u>

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2016

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> X </u>	Retail Water	<u> </u>	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> X </u>	Parks/Recreation	<u> X </u>	Fire Protection	<u> </u>	Security
<u> X </u>	Solid Waste/Garbage	<u> X </u>	Flood Control	<u> X </u>	Roads
<u> X </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> </u>	Other (specify): _____				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 1” METER (OR EQUIVALENT):

Based on the rate order effective November 21, 2014.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 34.75	2,000	N	\$ 3.74 \$ 4.24 \$ 5.06 \$ 6.06 \$ 7.06 \$ 8.06	2,001 to 15,000 15,001 to 25,000 25,001 to 35,000 35,001 to 45,000 45,001 to 55,000 55,001 and up
WASTEWATER:	\$ 10.70		N	\$ 4.90	0,001 and up
SURCHARGE:					
Solid Waste/ Garbage	\$ 15.43 per month plus sales tax		Y		
Commission	0.5% of				
Regulatory Assessments	actual water and sewer bill				

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$64.67 Wastewater: \$59.70 Surcharge: \$17.21

See accompanying independent auditor’s report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	24	8	X 1.0	8
1"	821	812	X 2.5	2,030
1½"	2	2	X 5.0	10
2"	4	3	x 8.0	24
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>851</u>	<u>825</u>		<u>2,072</u>
Total Wastewater Connections	<u>847</u>	<u>821</u>	x 1.0	<u>821</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Water Accountability Ratio: 88.4%
(Gallons billed and sold/Gallons pumped and purchased)

Gallons billed to customers: 114,692,000

Gallons purchased: 129,690,000 From: Water Suppliers

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

Does the District have Operation and Maintenance standby fees? Yes No

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County or Counties in which District is located:

Denton County, Texas

Is the District located within a city?

Entirely Partly Not at all

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely Partly Not at all

ETJ's in which District is located:

City of Lewisville, Texas.

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

PROFESSIONAL FEES:	
Auditing	\$ 15,000
Engineering	2,997
Legal	<u>25,196</u>
TOTAL PROFESSIONAL FEES	<u>\$ 43,193</u>
ALLOCATED COSTS TO DISTRICT 1-A:	
Personnel	\$ 235,430
Contract Labor	6,097
Purchased Water Services Demand Chage	204,711
Non-Potable Water Demand Chage	37,620
Purchased Wastewater Services Demand Chage	69,639
Public Safety	7,356
Public Safety Revenue	(7,356)
Utilities	45,159
Landscaping Maintenance	81,068
Repair and Maintenance	112,523
Office Rental	26,938
Supplies	17,642
Insurance	30,312
Capital Outlay	27,101
Other Operating Expenditures	<u>46,392</u>
TOTAL ALLOCATED COSTS TO DISTRICT 1-A	<u>\$ 940,632</u>
PURCHASED WATER AND WASTEWATER SERVICES:	
Purchased Water Services	\$ 255,746
Purchased Wastewater Services	<u>146,098</u>
TOTAL PURCHASED WATER AND WASTEWATER SERVICES	<u>\$ 401,844</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 3,385
Management Fees	87,734
Tax Collector	<u>120</u>
TOTAL CONTRACTED SERVICES	<u>\$ 91,239</u>
UTILITIES	<u>\$ 847</u>
REPAIRS AND MAINTENANCE	<u>\$ 6,404</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 3,900
Election Costs	1,879
Insurance	7,825
Office Supplies and Postage	1,722
Payroll Taxes	368
Travel and Meetings	39
Other	<u>826</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 16,559</u>
CAPITAL OUTLAY:	
Capitalized Assets	\$
Expenditures Not Capitalized	<u>7,056</u>
TOTAL CAPITAL OUTLAY	<u>\$ 7,056</u>
SOLID WASTE DISPOSAL	<u>\$ 124,378</u>
SECURITY	<u>\$ 20,985</u>
TOTAL EXPENDITURES	<u><u>\$ 1,653,137</u></u>

(Note: The District is allocated a portion of personnel cost from Denton County Fresh Water Supply District No. 1-A in accordance with an Operating Agreement.)

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
ANALYSIS OF TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Maintenance Tax		Contract Tax	
TAXES RECEIVABLE -				
OCTOBER 1, 2015	\$ 885		\$ 26,411	
Adjustments to Beginning				
Balance	<u>(2)</u>	\$ 883	<u>(49)</u>	\$ 26,362
Original 2015 Tax Levy	\$ 716,999		\$ 2,015,958	
Adjustment to 2015 Tax Levy	<u>3,145</u>	<u>720,144</u>	<u>8,842</u>	<u>2,024,800</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 721,027		\$ 2,051,162
TAX COLLECTIONS:				
Prior Years	\$ 73		\$ 2,035	
Current Year	<u>718,590</u>	<u>718,663</u>	<u>2,020,431</u>	<u>2,022,466</u>
TAXES RECEIVABLE -				
SEPTEMBER 30, 2016		<u>\$ 2,364</u>		<u>\$ 28,696</u>
TAXES RECEIVABLE BY				
YEAR:				
2015		\$ 1,554		\$ 4,369
2014		94		2,620
2013		279		2,341
2012		82		2,553
2011		165		2,602
2010		190		2,666
2009 and prior		<u> </u>		<u>11,545</u>
TOTAL		<u>\$ 2,364</u>		<u>\$ 28,696</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
PROPERTY VALUATIONS:				
Land	\$ 74,032,010	\$ 73,710,740	\$ 73,468,406	\$ 69,642,218
Improvements	254,153,744	227,986,393	205,777,237	201,856,899
Personal Property	2,587,088	1,875,677	1,980,018	1,693,055
Exemptions	<u>(7,838,218)</u>	<u>(6,904,749)</u>	<u>(6,096,088)</u>	<u>(6,003,693)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 322,934,624</u>	<u>\$ 296,668,061</u>	<u>\$ 275,129,573</u>	<u>\$ 267,188,479</u>
TAX RATES PER \$100 VALUATION:				
Contract	\$ 0.6270	\$ 0.8687	\$ 0.8041	\$ 0.8720
Maintenance	<u>0.2230</u>	<u>0.0313</u>	<u>0.0959</u>	<u>0.0280</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.8500</u>	<u>\$ 0.9000</u>	<u>\$ 0.9000</u>	<u>\$ 0.9000</u>
ADJUSTED TAX LEVY*	<u>\$ 2,744,944</u>	<u>\$ 2,670,012</u>	<u>\$ 2,476,166</u>	<u>\$ 2,414,209</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.78 %</u>	<u>99.90 %</u>	<u>99.89 %</u>	<u>99.89 %</u>

* Based upon adjusted tax at time of audit for the period in which the tax was levied.

Maintenance Tax – Maximum tax rate in unlimited amount per \$100 of assessed valuation approved by voters on November 2, 1999.

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2016	2015	2014
REVENUES			
Property Taxes	\$ 718,663	\$ 92,945	\$ 263,589
Water Service	782,656	773,905	802,435
Wastewater Service	446,303	434,798	461,452
Solid Waste Revenue	153,361	154,188	153,032
Penalty and Interest	4,030	5,139	6,006
Permit and Inspection Fees	54,967	16,300	63,875
Franchise Fees	71,419	78,527	74,127
Investment Revenues	17	503	157
Miscellaneous Revenues	5,651	6,229	13,321
TOTAL REVENUES	\$ 2,237,067	\$ 1,562,534	\$ 1,837,994
EXPENDITURES			
Professional Fees	\$ 43,193	\$ 56,446	\$ 30,944
Contracted Services	236,602	217,032	233,293
Allocated Costs to District 1-A	940,632	1,051,364	1,011,100
Purchased Water and Wastewater Services	401,844	350,976	325,232
Utilities	847		
Repairs and Maintenance	6,404	33,299	2,294
Other	16,559	12,422	25,430
Capital Outlay	7,056		
TOTAL EXPENDITURES	\$ 1,653,137	\$ 1,721,539	\$ 1,628,293
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 583,930	\$ (159,005)	\$ 209,701
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$	\$ 69,520	\$
Developer Reimbursement	(185,000)		
Contributed from Other Governmental Unit			
Contributed to Other Governmental Unit			
TOTAL OTHER FINANCING SOURCES (USES)	\$ (185,000)	\$ 69,520	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 398,930	\$ (89,485)	\$ 209,701
PRIOR PERIOD ADJUSTMENT			
BEGINNING FUND BALANCE	518,058	607,543	397,842
ENDING FUND BALANCE	\$ 916,988	\$ 518,058	\$ 607,543

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2013	2012	2016	2015	2014	2013	2012
\$ 74,931	\$ 146,238	32.0 %	6.0 %	14.3 %	3.9 %	8.5 %
794,868	809,647	34.9	49.6	43.8	41.4	47.3
461,300	440,536	20.0	27.8	25.1	24.1	25.8
148,064	142,630	6.9	9.9	8.3	7.7	8.3
8,793	9,053	0.2	0.3	0.3	0.5	0.5
256,560	123,703	2.5	1.0	3.5	13.4	7.2
130,585	332	3.2	5.0	4.0	6.8	
<u>42,796</u>	<u>40,672</u>	<u>0.3</u>	<u>0.4</u>	<u>0.7</u>	<u>2.2</u>	<u>2.4</u>
<u>\$ 1,917,897</u>	<u>\$ 1,712,811</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 24,719	\$ 40,483	1.9 %	3.6 %	1.7 %	1.3 %	2.4 %
195,818	108,471	10.6	13.9	12.7	10.2	6.3
1,074,141	1,053,917	42.0	67.3	55.0	56.0	61.5
359,714	285,060	18.0	22.5	17.7	18.8	16.6
		0.3	2.1	0.1		
20,955	90,309	0.7	0.8	1.4	1.1	5.3
		<u>0.3</u>				
<u>\$ 1,675,347</u>	<u>\$ 1,578,240</u>	<u>73.8 %</u>	<u>110.2 %</u>	<u>88.6 %</u>	<u>87.4 %</u>	<u>92.1 %</u>
<u>\$ 242,550</u>	<u>\$ 134,571</u>	<u>26.2 %</u>	<u>(10.2) %</u>	<u>11.4 %</u>	<u>12.6 %</u>	<u>7.9 %</u>
\$	\$					
	9,193					
	<u>(60,000)</u>					
<u>\$ - 0 -</u>	<u>\$ (50,807)</u>					
\$ 242,550	\$ 83,764					
	60,000					
<u>155,292</u>	<u>11,528</u>					
<u>\$ 397,842</u>	<u>\$ 155,292</u>					

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2016	2015	2014
REVENUES			
Property Taxes	\$ 2,022,466	\$ 2,574,609	\$ 2,214,242
Penalty and Interest	4,930	6,465	6,697
Interest on Investments	350	335	306
Miscellaneous Revenues			
TOTAL REVENUES	\$ 2,027,746	\$ 2,581,409	\$ 2,221,245
EXPENDITURES			
Tax Collection Expenditures	\$ 19,856	\$ 25,588	\$ 28,523
Contract Tax Obligation - City of Lewisville	1,920,700	1,143,711	2,091,375
Payment to Refunded Bond Escrow Agent		1,914,493	
TOTAL EXPENDITURES	\$ 1,940,556	\$ 3,083,792	\$ 2,119,898
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 87,190	\$ (502,383)	\$ 101,347
OTHER FINANCING SOURCES (USES)			
Transfers Out	\$	\$ (69,520)	\$
Contributions from Other Governmental Units			
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ (69,520)	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 87,190	\$ (571,903)	\$ 101,347
PRIOR PERIOD ADJUSTMENT			284,000
BEGINNING FUND BALANCE	2,325,843	2,897,746	2,512,399
ENDING FUND BALANCE	\$ 2,413,033	\$ 2,325,843	\$ 2,897,746
TOTAL ACTIVE RETAIL WATER CONNECTIONS	825	849	827
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	821	826	824

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2013	2012	2016	2015	2014	2013	2012
\$ 2,333,561	\$ 2,323,147	99.8 %	99.7 %	99.7 %	99.5 %	100.0 %
44	232	0.2	0.3	0.3		
11,818					0.5	
<u>\$ 2,345,423</u>	<u>\$ 2,323,379</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 37,284	\$ 18,084	1.0 %	1.0 %	1.3 %	1.6 %	0.8 %
2,208,944	2,310,147	94.7	44.3	94.2	94.2	99.4
			74.2			
<u>\$ 2,246,228</u>	<u>\$ 2,328,231</u>	<u>95.7 %</u>	<u>119.5 %</u>	<u>95.5 %</u>	<u>95.8 %</u>	<u>100.2 %</u>
<u>\$ 99,195</u>	<u>\$ (4,852)</u>	<u>4.3 %</u>	<u>(19.5) %</u>	<u>4.5 %</u>	<u>4.2 %</u>	<u>(0.2) %</u>
\$	\$					
	99,832					
<u>\$ - 0 -</u>	<u>\$ 99,832</u>					
\$ 99,195	\$ 94,980					
2,413,204	2,318,224					
<u>\$ 2,512,399</u>	<u>\$ 2,413,204</u>					
809	778					
<u>792</u>	<u>742</u>					

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2016**

District Mailing Address - Denton County Fresh Water Supply District No. 1-E
2540 King Arthur, Suite 220
Lewisville, TX 75056

District Telephone No. - (972) 899-4000

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended <u>September 30, 2016</u>	Expense Reimbursements for the year ended <u>September 30, 2016</u>	<u>Title</u>
Seth Higgins	05/14 05/18 (Elected)	\$ 450	\$ -0-	President
Steven Minear	05/16 05/20 (Elected)	\$ 750	\$ -0-	Vice President
Roshni Ramanujam	05/14 05/18 (Elected)	\$ 900	\$ -0-	Secretary
Adam Oliver	05/14 05/18 (Elected)	\$ 750	\$ -0-	Treasurer/ Assistant Secretary
Randall Winkler	05/16 05/20 (Elected)	\$ 900	\$ -0-	Assistant Secretary

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): November 1, 2016.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by the Texas Water Code Section 49.060. On May 18, 2005, the District formally adopted a resolution setting the limits for its Directors at \$3,500. Fees of office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-E
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2016

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2016</u>	<u>Title</u>
Kelly Hart & Hallman, LLP	06/03/08	\$ 176	Prior Attorney
Hurt & Berry, LLP	05/03/10	\$ -0-	Attorney
Winstead PC	09/25/15	\$ 26,742	Attorney
McCall Gibson Swedlund Barfoot PLLC	09/17/13	\$ 15,000	Auditor
Land Design, Inc.	01/18/13	\$ -0-	Engineer
Charles Williams		\$ -0-	Investment Officer
Denton County Tax Collector	Legislative Action	\$ 120	Tax Assessor/ Collector

See accompanying independent auditor's report.

