

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-F**  
**DENTON COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**SEPTEMBER 30, 2016**



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-F**

**DENTON COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2016**



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## INDEPENDENT AUDITOR'S REPORT

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

## **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-F  
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-F's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the District's financial statements.

**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 required and 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-F  
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 \$14,602,069 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-F  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2016</u>	<u>2015</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 10,391,803	\$ 10,925,408	\$ (533,605)
Capital Assets (Net of Accumulated Depreciation)	<u>5,488,197</u>	<u>5,445,436</u>	<u>42,761</u>
Total Assets	\$ 15,880,000	\$ 16,370,844	\$ (490,844)
Due to Other Governmental Units	\$ 615,731	\$ 3,788,914	\$ 3,173,183
Other Liabilities	<u>662,200</u>	<u>379,195</u>	<u>(283,005)</u>
Total Liabilities	\$ 1,277,931	\$ 4,168,109	\$ 2,890,178
Net Position:			
Net Investment in Capital Assets	\$ 5,488,197	\$ 5,445,436	\$ 42,761
Restricted	5,027,432	5,148,303	(120,871)
Unrestricted	<u>4,086,440</u>	<u>1,608,996</u>	<u>2,477,444</u>
Total Net Position	\$ 14,602,069	\$ 12,202,735	\$ 2,399,334

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 \$2,399,334, accounting for a 19.7% increase in net position.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2016</u>	<u>2015</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 4,239,061	\$ 3,989,168	\$ 249,893
Charges for Services	2,990,277	3,089,175	(98,898)
Franchise Fees	103,381	103,429	(48)
Sales Tax Revenues	88,316	24,607	63,709
Other Revenue	<u>15,510</u>	<u>491,125</u>	<u>(475,615)</u>
Total Revenues	\$ 7,436,545	\$ 7,697,504	\$ (260,959)
Expenses for Services	<u>5,037,211</u>	<u>4,890,940</u>	<u>(146,271)</u>
Change in Net Position	\$ 2,399,334	\$ 2,806,564	\$ (407,230)
Net Position, Beginning of Year	<u>12,202,735</u>	<u>9,396,171</u>	<u>2,806,564</u>
Net Position, End of Year	<u>\$ 14,602,069</u>	<u>\$ 12,202,735</u>	<u>\$ 2,399,334</u>

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-F  
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 \$9,601,959, a decrease of \$818,933 from the prior year.

The General Fund fund balance decreased by \$696,895, primarily due to reimbursing the developer in the current fiscal year.

The Debt Service Fund fund balance increased by \$65,626, primarily due to property tax revenues exceeding the cost of assessing and collecting the taxes and the current year contract tax payment to the City of Lewisville.

The Capital Project Fund fund balance decreased by \$187,664, primarily due to the timing of receiving developer and PID contributions.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$596,005 more than budgeted revenues. Actual expenditures were \$6,807 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. 4 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 for the water, wastewater 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 \$5,488,197 (net of accumulated depreciation). 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-F  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**CAPITAL ASSETS (Continued)**

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2016	2015	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Construction in Progress	\$ 200,408	\$ 35,468	\$ 164,940
Capital Assets, Net of Accumulated Depreciation:			
Water System	1,070,692	1,095,428	(24,736)
Wastewater System	772,765	790,618	(17,853)
Drainage System	1,245,839	1,274,622	(28,783)
Road System	1,956,730	2,025,811	(69,081)
Investment in Shared Lift Station	241,763	223,489	18,274
Total Net Capital Assets	\$ 5,488,197	\$ 5,445,436	\$ 42,761

**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-F, c/o Winstead PC, 2728 N. Harwood Street, Suite 500, Dallas, Texas 75201.

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

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 1,566,312	\$
Cash with Other Governmental Entities		5,064,175
Receivables:		
Property Taxes	1,495	1,904
Service Accounts (Net of Allowance for Doubtful Accounts of \$-0-)	277,848	
Franchise Fees	66,795	
Other	20,106	
Due from Developer		
Due from Other Funds	177,838	
Prepaid Costs	6,294	
Due from Other Governmental Units	2,668,889	97,958
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 4,785,577</b>	<b>\$ 5,164,037</b>

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>
\$ 33,272	\$ 1,599,584	\$	\$ 1,599,584
	5,064,175		5,064,175
	3,399		3,399
	277,848		277,848
	66,795		66,795
	20,106		20,106
462,510	462,510		462,510
	177,838	(177,838)	
	6,294		6,294
	2,766,847	124,245	2,891,092
		200,408	200,408
		<u>5,287,789</u>	<u>5,287,789</u>
<u>\$ 495,782</u>	<u>\$ 10,445,396</u>	<u>\$ 5,434,604</u>	<u>\$ 15,880,000</u>

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

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

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 99,330	\$
Due to Other Governmental Units	21,396	57,887
Due to Other Funds		177,838
Security Deposits	86,925	
Long Term Liabilities:		
Due to Other Governmental Units		
<b>TOTAL LIABILITIES</b>	<b>\$ 207,651</b>	<b>\$ 235,725</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 1,495	\$ 1,904
 <b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 6,294	\$
Restricted for Authorized Construction		
Restricted for Debt Service		4,926,408
Unassigned	4,570,137	
<b>TOTAL FUND BALANCES</b>	<b>\$ 4,576,431</b>	<b>\$ 4,926,408</b>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,785,577</b>	<b>\$ 5,164,037</b>
 <b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for:		
Debt Service		
Capital Projects		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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>
\$ 164,940	\$ 264,270	\$	\$ 264,270
231,722	311,005		311,005
	177,838	(177,838)	86,925
	86,925		
		615,731	615,731
<u>\$ 396,662</u>	<u>\$ 840,038</u>	<u>\$ 437,893</u>	<u>\$ 1,277,931</u>
<u>\$ -0-</u>	<u>\$ 3,399</u>	<u>\$ (3,399)</u>	<u>\$ -0-</u>
\$ 99,120	\$ 6,294	\$ (6,294)	\$
	99,120	(99,120)	
	4,926,408	(4,926,408)	
	4,570,137	(4,570,137)	
<u>\$ 99,120</u>	<u>\$ 9,601,959</u>	<u>\$ (9,601,959)</u>	<u>\$ - 0 -</u>
<u>\$ 495,782</u>	<u>\$ 10,445,396</u>		
		\$ 5,488,197	\$ 5,488,197
		4,928,312	4,928,312
		99,120	99,120
		<u>4,086,440</u>	<u>4,086,440</u>
		<u>\$ 14,602,069</u>	<u>\$ 14,602,069</u>

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

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

Total Fund Balances - Governmental Funds	\$ 9,601,959
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Governmental funds do not record a long-term receivable from other governmental units for the sale of capacity. This amount is not a current financial resource, therefore, this amount is only recorded as a receivable in the Statement of Net Position	124,245
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	5,488,197
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Deferred tax revenues for the 2015 and prior tax levies became part of recognized revenue in the governmental activities of the District.	3,399
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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	<u>(615,731)</u>
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Total Net Position - Governmental Activities	<u>\$ 14,602,069</u>
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The accompanying notes to the financial statements are an integral part of this report.

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**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-F**  
**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
<b>REVENUES</b>		
Property Taxes	\$ 1,885,436	\$ 2,351,302
Water Service	1,121,313	
Wastewater Service	648,414	
Solid Waste Revenue	205,039	
Penalty and Interest	6,750	4,321
Permit and Inspection Fees	1,004,440	
Franchise Fees	103,381	
Sales Tax Revenues	88,316	
Investment Revenues	43	505
Miscellaneous Revenues	14,962	
<b>TOTAL REVENUES</b>	<b>\$ 5,078,094</b>	<b>\$ 2,356,128</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 80,402	\$
Contracted Services	325,187	19,796
Allocated Costs to District 1-A	1,526,562	
Purchased Water and Wastewater Services	521,704	
Repairs and Maintenance	67,421	
Depreciation		
Other	23,122	22,505
Capital Outlay	9,990	
Debt Service:		
Contract Tax Obligation - City of Lewisville		2,270,338
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 2,554,388</b>	<b>\$ 2,312,639</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<b>\$ 2,523,706</b>	<b>\$ 43,489</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In(Out)	\$ (22,137)	\$ 22,137
Developer Reimbursement	(3,198,464)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (3,220,601)</b>	<b>\$ 22,137</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (696,895)</b>	<b>\$ 65,626</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - OCTOBER 1, 2015</b>	<b>5,273,326</b>	<b>4,860,782</b>
<b>FUND BALANCES/NET POSITION - SEPTEMBER 30, 2016</b>	<b>\$ 4,576,431</b>	<b>\$ 4,926,408</b>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 4,236,738	\$ 2,323	\$ 4,239,061
	1,121,313		1,121,313
	648,414		648,414
	205,039		205,039
	11,071		11,071
	1,004,440		1,004,440
	103,381		103,381
	88,316		88,316
	548		548
	14,962		14,962
<u>\$ - 0 -</u>	<u>\$ 7,434,222</u>	<u>\$ 2,323</u>	<u>\$ 7,436,545</u>
\$	\$ 80,402	\$	\$ 80,402
	344,983		344,983
	1,526,562		1,526,562
	521,704		521,704
	67,421		67,421
		147,460	147,460
	45,627		45,627
187,664	197,654	(164,940)	32,714
	2,270,338		2,270,338
<u>\$ 187,664</u>	<u>\$ 5,054,691</u>	<u>\$ (17,480)</u>	<u>\$ 5,037,211</u>
<u>\$ (187,664)</u>	<u>\$ 2,379,531</u>	<u>\$ 19,803</u>	<u>\$ 2,399,334</u>
\$	\$	\$	\$
	(3,198,464)	3,198,464	
<u>\$ -0-</u>	<u>\$ (3,198,464)</u>	<u>\$ 3,198,464</u>	<u>\$ -0-</u>
\$ (187,664)	\$ (818,933)	\$ 818,933	\$
		2,399,334	2,399,334
<u>286,784</u>	<u>10,420,892</u>	<u>1,781,843</u>	<u>12,202,735</u>
<u>\$ 99,120</u>	<u>\$ 9,601,959</u>	<u>\$ 5,000,110</u>	<u>\$ 14,602,069</u>

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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-F  
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	\$ (818,933)
<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>	2,323
<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>	(147,460)
<p>Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.</p>	164,940
<p>Governmental funds report developer reimbursements as other financing sources. However, in the Statement of Net Position, developer reimbursements, reduce the amount recorded as Due to Developer.</p>	<u>3,198,464</u>
Change in Net Position - Governmental Activities	<u><u>\$ 2,399,334</u></u>

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



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-F**  
**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 April 8, 1999, voters approved the division of District No. 1-A into two new districts of which Denton County Fresh Water Supply District No. 1-F (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-F**  
**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-F**  
**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-F**  
**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-F**  
**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-F**  
**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 Fund 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 that were in excess of FDIC limits were fully covered by collateral.

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, total bank balance of pooled cash 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 \$499,947.

The District also had deposits in non-pooled cash accounts. As of September 30, 2016, the bank balance of these deposits was \$1,100,181 and the book balance was \$1,099,637

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-F**  
**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-F**  
**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. 4 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
<b>Capital Assets Not Being Depreciated</b>				
Construction in Progress	\$ 35,468	\$ 164,940	\$ - 0 -	\$ 200,408
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 1,110,094	\$	\$	\$ 1,110,094
Wastewater System	801,203			801,203
Drainage system	1,291,687			1,291,687
Road System	2,066,769			2,066,769
Investment in Shared Lift Station	290,020	25,281		315,301
<b>Total Capital Assets Subject to Depreciation</b>	<b>\$ 5,559,773</b>	<b>\$ 25,281</b>	<b>\$ - 0 -</b>	<b>\$ 5,585,054</b>
<b>Less Accumulated Depreciation</b>				
Water System	\$ 14,666	\$ 24,736	\$	\$ 39,402
Wastewater System	10,585	17,853		28,438
Drainage system	17,065	28,783		45,848
Road System	40,958	69,081		110,039
Investment in Shared Lift Station	66,531	7,007		73,538
<b>Total Accumulated Depreciation</b>	<b>\$ 149,805</b>	<b>\$ 147,460</b>	<b>\$ - 0 -</b>	<b>\$ 297,265</b>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 5,409,968</b>	<b>\$ (122,179)</b>	<b>\$ - 0 -</b>	<b>\$ 5,287,789</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 5,445,436</b>	<b>\$ 42,761</b>	<b>\$ - 0 -</b>	<b>\$ 5,488,197</b>



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-F**  
**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.

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

**NOTE 5. NONCURRENT LIABILITIES**

Developer Liability

On February 5, 2003, 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:

	Beginning Balance	Additions	Repayments	Ending Balance
Due to Developer	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -

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 1-D, District No. 1-E, the District, 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	Repayments	Ending Balance
Due to 1-A	\$ 3,788,914	\$ 25,281	\$ 3,198,464	\$ 615,731

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

**NOTE 6. MAINTENANCE TAX**

On August 14, 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 \$0.4357 per \$100 of assessed valuation, which resulted in a tax levy of \$1,891,345 on an adjusted taxable valuation of \$434,093,391 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. During a prior fiscal year, District 1-A transferred the reserve balance to a separate reserve bank account in the name of the District. As of fiscal year September 30, 2016, the District's reserve balance is \$241,646.

**NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACT**

On May 21, 2007, the District, Denton County Fresh Water Supply District No. 1-A (District No. 1-A), and the City of Lewisville (Lewisville) executed a 2007 Joint Utility Contract. On January 7, 2008, the Amended and Restated 2007 Joint Utility Contract was approved. The agreement became effective on the date executed by Lewisville and the District in accordance with the Amended and Restated 2007 Joint Utility Contract. The contract states that Lewisville will proceed with financing utility and road facilities within the District through the sale of \$32,000,000 of Lewisville Castle Hills Public Improvement District No. 4 (PID 4) bonds; the first installment of these bonds were sold in the amount of \$20,000,000 in 2008. In fiscal year ending 2012, a second and third installment were sold for a combined \$8,320,000. During the 2014 fiscal year, a fourth installment was sold in the amount of \$3,680,000. The term of the agreement is forty (40) years.

District No. 1-A will have primary responsibility as Project Manager and shall perform its duties in accordance with an agreement dated October 1, 2006. District No. 1-A is responsible for designating the consulting engineer on the project and approves the projects along with Lewisville.

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

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

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 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 4 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 4 and Lewisville, the District agreed to pay Lewisville the amount necessary to repay the debt service requirements and costs of the PID 4 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 up to ninety percent (90%) of the debt and other costs incidental to the PID 4 Bonds.

The additional ten percent (10%) of the debt and other costs included to the PID 4 Bonds will be paid from the special assessment as outlined in the agreement. Lewisville will calculate the total amount of payments to be made on the PID 4 Bonds on the following February 1, after application of the available reserves from proceeds of the PID 4 Bonds and will calculate an assessment on all assessable property within the PID 4.

Lewisville will notify the District of the calculation of the Annual Assessment by September 1 of each year proceeding the above-referenced February 1. During the current fiscal year, the District made regular contract tax payments of \$2,270,338 to the City of Lewisville in accordance with the bond covenants. The reserve fund requirement at September 30, 2016, is \$2,398,500 and the District has fully satisfied that requirement at year end. The Reserve Fund is maintained by the City of Lewisville for PID 4.

The City of Lewisville, at September 30, 2016, including reserve funds, is holding \$5,064,175 in trust for the District. The amounts held in trust in excess of the reserve requirement are available to cover debt service required of PID 4.

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

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

The following is the amortization schedule on the existing outstanding debt the District’s contract tax is expected to amortize.

PID 4 S E R I E S - 2 0 0 8			
Due During Fiscal Years Ending September 30	Principal Due October 1	Interest Due October 1/ April 1	Total
2017	\$ 610,000	\$ 1,036,800	\$ 1,646,800
2018	650,000	994,275	1,644,275
2019	695,000	948,881	1,643,881
2020	740,000	900,450	1,640,450
2021	795,000	848,643	1,643,643
2022	845,000	793,294	1,638,294
2023	905,000	734,231	1,639,231
2024	965,000	671,119	1,636,119
2025	1,030,000	603,788	1,633,788
2026	1,100,000	531,900	1,631,900
2027	1,170,000	455,287	1,625,287
2028	1,250,000	373,613	1,623,613
2029	1,335,000	286,369	1,621,369
2030	1,425,000	193,219	1,618,219
2031	1,520,000	93,825	1,613,825
2032	630,000	21,262	651,262
	\$ 15,665,000	\$ 9,486,956	\$ 25,151,956

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

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

PID 4 SERIES - 2011 UTILITY			
Due During Fiscal Years Ending September 30	Principal Due October 1	Interest Due October 1/ April 1	Total
2017		\$ 155,662	\$ 155,662
2018		155,663	155,663
2019		155,662	155,662
2020		155,663	155,663
2021		155,662	155,662
2022		155,663	155,663
2023		155,662	155,662
2024		155,663	155,663
2025		155,662	155,662
2026		155,663	155,663
2027		155,662	155,662
2028		155,663	155,663
2029		155,662	155,662
2030		155,663	155,663
2031		155,662	155,662
2032		155,663	155,663
2033	200,000	150,413	350,413
2034	715,000	126,393	841,393
2035	750,000	87,938	837,938
2036	790,000	47,512	837,512
2037	510,000	13,387	523,387
	\$ 2,965,000	\$ 2,916,243	\$ 5,881,243

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

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

PID 4 SERIES - 2011 ROAD			
Due During Fiscal Years Ending September 30	Principal Due October 1	Interest Due October 1/ April 1	Total
2017		\$ 281,138	\$ 281,138
2018		281,138	281,138
2019		281,138	281,138
2020		281,138	281,138
2021		281,138	281,138
2022		281,138	281,138
2023		281,138	281,138
2024		281,138	281,138
2025		281,138	281,138
2026		281,138	281,138
2027		281,138	281,138
2028		281,138	281,138
2029		281,138	281,138
2030		281,138	281,138
2031		281,138	281,138
2032		281,138	281,138
2033	980,000	255,413	1,235,413
2034	1,065,000	201,731	1,266,731
2035	1,125,000	144,244	1,269,244
2036	1,185,000	83,606	1,268,606
2037	1,000,000	26,250	1,026,250
	\$ 5,355,000	\$ 5,209,452	\$ 10,564,452

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

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

PID 4 SERIES - 2014 UTILITY				
Due During Fiscal Years Ending September 30	Principal Due October 1	Interest Due October 1/ April 1	Total	
2017	\$ 80,000	\$ 134,962	\$	214,962
2018	80,000	132,563		212,563
2019	85,000	130,087		215,087
2020	85,000	127,538		212,538
2021	90,000	124,912		214,912
2022	95,000	122,138		217,138
2023	95,000	119,287		214,287
2024	100,000	116,363		216,363
2025	100,000	113,300		213,300
2026	105,000	109,966		214,966
2027	110,000	106,269		216,269
2028	110,000	102,419		212,419
2029	115,000	98,409		213,409
2030	120,000	94,075		214,075
2031	125,000	89,325		214,325
2032	130,000	84,225		214,225
2033	685,000	67,925		752,925
2034	180,000	50,625		230,625
2035	185,000	43,209		228,209
2036	190,000	35,475		225,475
2037	765,000	15,778		780,778
	\$ 3,630,000	\$ 2,018,850	\$	5,648,850



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

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

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. 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 May 12, 2007, and approved the levy and collection of said tax. For the fiscal year ending September 30, 2016, the District levied an ad valorem contract tax of \$2,362,770 computed at the rate of \$0.5443 per \$100 of assessed valuation of \$434,093,391 for the 2015 tax year upon property with the District.

The District’s 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.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-F**  
**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 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.

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

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

**NOTE 9. WATER SUPPLY AGREEMENTS (Continued)**

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

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.

**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 No. 1-A's annexation by the City.

**NOTE 10. OPERATING AGREEMENT**

On June 14, 2000, the District entered in to an Amended and Restated Operating Agreement with District No. 1-A effective October 1, 1997. On September 18, 2001, effective October 1, 2001, the District executed an Amended Operating Agreement. 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 which now includes District Nos. 1-A, 1-B, 1-C, 1-D, 1-E, 1-F, 1-G and 1-H.

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

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

**NOTE 10. OPERATING AGREEMENT (Continued)**

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.

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.

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

**NOTE 10. OPERATING AGREEMENT (Continued)**

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 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, District No. 1-A, District No. 1-B, District No. 1-C, District No. 1-D, District No. 1-E, District No. 1-G, District No. 1-H and the District 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.

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 \$442,813.

**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.

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

**NOTE 13. BOND ELECTION**

On May 12, 2007, voters within the District approved for the District to issue bonds in the maximum amount of \$43,000,000 for new money bonds and \$50,750,000 for refunding purposes.

**NOTE 14. EXCESS CAPACITY PURCHASE AGREEMENT**

The District entered into an Excess Capacity Purchase Agreement (the Agreement) with District No. 1-G. In accordance with the Agreement, District No. 1-G agreed to purchase excess drainage capacity and sewer capacity from the District. In addition, District No. 1-G will purchase one-hundred (100) percent of the capacity in the two master water meters installed pursuant to the Wholesale Water Supply Agreement, Note 9, with the City of Lewisville. The total purchase price for the capacity will be \$665,245. The remaining balance of \$124,245 at September 30, 2016, has been recorded as a receivable in the Statement of Net Position.

**NOTE 15. INTERFUND RECEIVABLES AND PAYABLES**

As of September 30, 2016, the Debt Service Funds owes the General Fund \$177,838 for maintenance tax revenues.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-F**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2016**





**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-F**  
**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>
<b>REVENUES</b>			
Property Taxes	\$ 1,900,000	\$ 1,885,436	\$ (14,564)
Water Service	1,012,969	1,121,313	108,344
Wastewater Service	511,133	648,414	137,281
Solid Waste Revenue	174,293	205,039	30,746
Penalty and Interest	4,700	6,750	2,050
Permit and Inspection Fees	764,194	1,004,440	240,246
Franchise Fees	70,000	103,381	33,381
Sales Tax Revenues		88,316	88,316
Investment Revenues		43	43
Miscellaneous Revenues	<u>44,800</u>	<u>14,962</u>	<u>(29,838)</u>
<b>TOTAL REVENUES</b>	<u>\$ 4,482,089</u>	<u>\$ 5,078,094</u>	<u>\$ 596,005</u>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 71,250	\$ 80,402	\$ (9,152)
Contracted Services	258,460	325,187	(66,727)
Allocated Costs to District 1-A	1,627,832	1,526,562	101,270
Purchased Water and Wastewater Services	554,078	521,704	32,374
Repairs and Maintenance		67,421	(67,421)
Other	35,961	23,122	12,839
Capital Outlay		<u>9,990</u>	<u>(9,990)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,547,581</u>	<u>\$ 2,554,388</u>	<u>\$ (6,807)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 1,934,508</u>	<u>\$ 2,523,706</u>	<u>\$ 589,198</u>
<b>OTHER FINANCING SOURCES(USES)</b>			
Transfers In(Out)	\$	\$ (22,137)	\$ (22,137)
Developer Reimbursements		<u>(3,198,464)</u>	<u>(3,198,464)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ -0-</u>	<u>\$ (3,220,601)</u>	<u>\$ (3,220,601)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 1,934,508	\$ (696,895)	\$ (2,631,403)
<b>FUND BALANCE - OCTOBER 1, 2015</b>	<u>5,273,326</u>	<u>5,273,326</u>	
<b>FUND BALANCE - SEPTEMBER 30, 2016</b>	<u>\$ 7,207,834</u>	<u>\$ 4,576,431</u>	<u>\$ (2,631,403)</u>

See accompanying independent auditor's report.

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



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-F  
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 19, 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:	\$ 16.45		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: \$65.45 Surcharge: \$17.24

See accompanying independent auditor’s report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-F  
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"	91	70	X 1.0	70
1"	1,150	1,007	X 2.5	2,518
1½"	10	10	X 5.0	50
2"	27	26	x 8.0	208
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>1,278</u>	<u>1,113</u>		<u>2,846</u>
Total Wastewater Connections	<u>1,255</u>	<u>1,090</u>	x 1.0	<u>1,090</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: 144,730,000

Gallons purchased: 163,656,000

From: Water Suppliers

See accompanying independent auditor's report.

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

PROFESSIONAL FEES:	
Auditing	\$ 16,750
Engineering	3,994
Legal	<u>59,658</u>
TOTAL PROFESSIONAL FEES	<u>\$ 80,402</u>
ALLOCATED COSTS TO DISTRICT 1-A:	
Personnel	\$ 427,704
Contract Labor	11,076
Purchased Water Services Demand Charge	307,315
Non-Potable Water Demand Charge	56,340
Purchased Wastewater Services Demand Charge	105,926
Public Safety	442,813
Public Safety Revenue	(442,813)
Utilities	67,631
Landscaping Maintenance	121,408
Repair and Maintenance	168,900
Office Rental	48,938
Supplies	28,694
Insurance	55,069
Capital Outlay	46,486
Other Operating Expenditures	<u>81,075</u>
TOTAL ALLOCATED COSTS TO DISTRICT 1-A	<u>\$ 1,526,562</u>
PURCHASED WATER AND WASTEWATER SERVICES:	
Purchased Water Services	\$ 308,753
Non-Potable Water	971
Purchased Wastewater Services	<u>211,980</u>
TOTAL PURCHASED WATER AND WASTEWATER SERVICES	<u>\$ 521,704</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 9,322
Management Fees	<u>144,158</u>
TOTAL CONTRACTED SERVICES	<u>\$ 153,480</u>
REPAIRS AND MAINTENANCE	<u>\$ 67,421</u>

See accompanying independent auditor's report.



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

ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 5,700
Insurance	7,534
Office Supplies and Postage	2,137
Payroll Taxes	551
Travel and Meetings	481
Other	<u>1,105</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 17,508</u>
CAPITAL OUTLAY:	
Capitalized Assets	\$
Expenditures Not Capitalized	<u>9,990</u>
TOTAL CAPITAL OUTLAY	<u>\$ 9,990</u>
TAP CONNECTIONS	<u>\$ 5,614</u>
SOLID WASTE DISPOSAL	<u>\$ 143,735</u>
SECURITY	<u>\$ 27,972</u>
TOTAL EXPENDITURES	<u>\$ 2,554,388</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-F**  
**ANALYSIS OF TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Maintenance Tax		Contract Tax	
TAXES RECEIVABLE -				
OCTOBER 1, 2015	\$	339	\$	737
Adjustments to Beginning				
Balance		<u>(4,754)</u>	\$	<u>(10,301)</u>
		\$	(4,415)	\$
			<u>(9,564)</u>	
Original 2015 Tax Levy	\$	1,909,260	\$	2,385,150
Adjustment to 2015 Tax Levy		<u>(17,915)</u>	<u>1,891,345</u>	<u>(22,380)</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	1,886,930	\$
				2,353,206
TAX COLLECTIONS:				
Prior Years	\$	(4,452)	\$	(9,647)
Current Year		<u>1,889,887</u>	<u>1,885,435</u>	<u>2,360,949</u>
				<u>2,351,302</u>
TAXES RECEIVABLE -				
SEPTEMBER 30, 2016		<u>\$</u>	<u>1,495</u>	<u>\$</u>
				<u>1,904</u>
TAXES RECEIVABLE BY				
YEAR:				
2015	\$	1,458	\$	1,821
2014		23		50
2013		<u>14</u>		<u>33</u>
TOTAL	\$	<u>1,495</u>	\$	<u>1,904</u>

See accompanying independent auditor's report.

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

	2015	2014	2013	2012
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 151,266,550	\$ 136,611,591	\$ 117,780,602	\$ 99,510,602
Improvements	291,760,814	250,345,998	193,373,491	137,700,751
Personal Property	12,604,953	13,433,247	12,758,054	12,598,645
Exemptions	(21,538,926)	(1,440,224)	(1,333,605)	(882,742)
<b>TOTAL PROPERTY VALUATIONS</b>	<b>\$ 434,093,391</b>	<b>\$ 398,950,612</b>	<b>\$ 322,578,542</b>	<b>\$ 248,927,256</b>
<b>TAX RATES PER \$100 VALUATION:</b>				
Contract	\$ 0.5443	\$ 0.684	\$ 0.7026	\$ 0.955
Maintenance	0.4357	0.316	0.2974	0.045
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<b>\$ 0.9800</b>	<b>\$ 1.000</b>	<b>\$ 1.0000</b>	<b>\$ 1.000</b>
<b>ADJUSTED TAX LEVY*</b>	<b>\$ 4,254,115</b>	<b>\$ 3,989,506</b>	<b>\$ 3,252,434</b>	<b>\$ 2,540,244</b>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<b>99.92 %</b>	<b>99.99 %</b>	<b>99.99 %</b>	<b>100.00 %</b>

\* 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 August 14, 1999.

See accompanying independent auditor's report.

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

	Amounts		
	2016	2015	2014
<b>REVENUES</b>			
Property Taxes	\$ 1,885,436	\$ 1,261,800	\$ 966,238
Water Service	1,121,313	1,047,326	959,013
Wastewater Service	648,414	547,380	536,600
Solid Waste Revenue	205,039	167,967	160,490
Penalty and Interest	6,750	6,028	6,387
Permit and Inspection Fees	1,004,440	1,317,590	424,636
Franchise Fees	103,381	103,429	92,807
Sales Tax Revenues	88,316	24,607	17,545
Investment Revenues	43	1,312	392
Miscellaneous Revenues	14,962	56,708	27,810
<b>TOTAL REVENUES</b>	<b>\$ 5,078,094</b>	<b>\$ 4,534,147</b>	<b>\$ 3,191,918</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 80,402	\$ 33,374	\$ 50,734
Contracted Services	325,187	280,120	273,321
Allocated Costs to District 1-A	1,526,562	1,464,373	1,213,173
Purchased Water and Wastewater Services	521,704	423,144	362,039
Repairs and Maintenance	67,421	99	100
Other	23,122	13,470	35,846
Capital Outlay	9,990		
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,554,388</b>	<b>\$ 2,214,580</b>	<b>\$ 1,935,213</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 2,523,706</b>	<b>\$ 2,319,567</b>	<b>\$ 1,256,705</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In(Out)	\$ (22,137)	\$ (76,537)	\$
Developer Reimbursement	(3,198,464)		
Contributed to Other Governmental Unit			
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (3,220,601)</b>	<b>\$ (76,537)</b>	<b>\$ - 0 -</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (696,895)</b>	<b>\$ 2,243,030</b>	<b>\$ 1,256,705</b>
<b>PRIOR PERIOD ADJUSTMENT</b>			
<b>BEGINNING FUND BALANCE</b>	<b>5,273,326</b>	<b>3,030,296</b>	<b>1,773,591</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 4,576,431</b>	<b>\$ 5,273,326</b>	<b>\$ 3,030,296</b>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2013	2012	2016	2015	2014	2013	2012
\$ 112,879	\$ 230,151	37.2 %	27.8 %	30.4 %	3.4 %	6.3 %
898,823	765,041	22.1	23.1	30.0	27.8	21.0
467,442	331,261	12.8	12.1	16.8	14.5	9.2
146,756	106,293	4.0	3.7	5.0	4.5	2.9
6,371	6,997	0.1	0.1	0.2	0.2	0.2
1,312,783	1,938,076	19.8	29.1	13.3	40.6	53.3
132,522	2,840	2.0	2.3	2.9	4.1	0.1
15,792	72,767	1.7	0.5	0.5	0.5	2.0
<u>141,144</u>	<u>182,613</u>	<u>0.3</u>	<u>1.3</u>	<u>0.9</u>	<u>4.4</u>	<u>5.0</u>
\$ <u>3,234,512</u>	\$ <u>3,636,039</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 110,867	\$ 63,432	1.6 %	0.7 %	1.6 %	3.4 %	1.8 %
203,666	67,682	6.4	6.2	8.6	6.3	1.9
1,322,194	1,271,277	30.1	32.3	38.0	40.9	35.0
376,126	249,913	10.3	9.3	11.3	11.6	6.9
190,451		1.3			5.9	
48,554	141,974	0.5	0.3	1.1	1.5	3.9
<u>15,025</u>	<u></u>	<u>0.2</u>	<u></u>	<u></u>	<u>0.5</u>	<u></u>
\$ <u>2,266,883</u>	\$ <u>1,794,278</u>	<u>50.4 %</u>	<u>48.8 %</u>	<u>60.6 %</u>	<u>70.1 %</u>	<u>49.5 %</u>
\$ <u>967,629</u>	\$ <u>1,841,761</u>	<u>49.6 %</u>	<u>51.2 %</u>	<u>39.4 %</u>	<u>29.9 %</u>	<u>50.5 %</u>
\$ (633,761)	\$ (667,085)					
	(14,072)					
	<u>(105,654)</u>					
\$ <u>(633,761)</u>	\$ <u>(786,811)</u>					
\$ 333,868	\$ 1,054,950					
	60,000					
<u>1,439,723</u>	<u>324,773</u>					
\$ <u>1,773,591</u>	\$ <u>1,439,723</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2016	2015	2014
<b>REVENUES</b>			
Property Taxes	\$ 2,351,302	\$ 2,731,521	\$ 2,292,244
Penalty and Interest	4,321	2,884	3,951
Interest on Investments	505	464	400
Miscellaneous Revenues			168
<b>TOTAL REVENUES</b>	<b>\$ 2,356,128</b>	<b>\$ 2,734,869</b>	<b>\$ 2,296,763</b>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 42,301	\$ 28,663	\$ 38,094
Contract Tax Obligation - City of Lewisville	2,270,338	2,185,524	3,172,631
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,312,639</b>	<b>\$ 2,214,187</b>	<b>\$ 3,210,725</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 43,489</b>	<b>\$ 520,682</b>	<b>\$ (913,962)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	\$ 22,137	\$ 76,537	\$
Contributed by PID 4		7,638	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 22,137</b>	<b>\$ 84,175</b>	<b>\$ - 0 -</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 65,626</b>	<b>\$ 604,857</b>	<b>\$ (913,962)</b>
<b>PRIOR PERIOD ADJUSTMENT</b>			832,075
<b>BEGINNING FUND BALANCE</b>	4,860,782	4,255,925	4,337,812
<b>ENDING FUND BALANCE</b>	<b>\$ 4,926,408</b>	<b>\$ 4,860,782</b>	<b>\$ 4,255,925</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>1,113</b>	<b>1,053</b>	<b>906</b>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>1,090</b>	<b>939</b>	<b>882</b>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2013	2012	2016	2015	2014	2013	2012
\$ 2,396,972	\$ 2,188,432	99.8 %	99.9 %	99.8 %	99.6 %	100.0 %
64	148	0.2	0.1	0.2		
9,740					0.4	
<u>\$ 2,406,776</u>	<u>\$ 2,188,580</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 42,446	\$ 14,325	1.8 %	1.0 %	1.7 %	1.8 %	0.7 %
<u>1,670,025</u>	<u>1,678,560</u>	<u>96.4</u>	<u>79.9</u>	<u>138.1</u>	<u>69.4</u>	<u>76.7</u>
<u>\$ 1,712,471</u>	<u>\$ 1,692,885</u>	<u>98.2 %</u>	<u>80.9 %</u>	<u>139.8 %</u>	<u>71.2 %</u>	<u>77.4 %</u>
<u>\$ 694,305</u>	<u>\$ 495,695</u>	<u>1.8 %</u>	<u>19.1 %</u>	<u>(39.8) %</u>	<u>28.8 %</u>	<u>22.6 %</u>
\$ 633,761	\$ 658,923					
<u>\$ 633,761</u>	<u>\$ 658,923</u>					
\$ 1,328,066	\$ 1,154,618					
<u>3,009,746</u>	<u>1,855,128</u>					
<u>\$ 4,337,812</u>	<u>\$ 3,009,746</u>					
<u>872</u>	<u>534</u>					
<u>809</u>	<u>431</u>					

See accompanying independent auditor's report.

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

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

District Telephone No. - (972) 899-4000

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of office for the year ended September 30, 2016	Expense Reimbursements for the year ended September 30, 2016	<u>Title</u>
Matthew Taylor	05/14 05/18 (Elected)	\$ 1,200	\$ 98	President
Christian Kelso	05/14 05/18 (Elected)	\$ 750	\$ 51	Vice President
Colleen Marchetti	05/16 05/20 (Elected)	\$ 600	\$ 24	Secretary
Cheryl Mabery	05/14 05/18 (Elected)	\$ 1,350	\$ 49	Treasurer/ Assistant Secretary
Tony Munoz	05/16 05/20 (Elected)	\$ 1,200	\$ -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 January 17, 2007, 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-F**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**SEPTEMBER 30, 2016**

<b>Consultants:</b>	<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	09/24/15	\$ 67,012	Attorney
McCall Gibson Swedlund Barfoot PLLC	09/17/13	\$ 16,750	Auditor
Land Design, Inc.	01/15/13	\$ 16,824	Engineer
Charles Williams		\$ -0-	Investment Officer
Denton County Tax Collector	Legislative Action	\$ 14	Tax Assessor/ Collector

See accompanying independent auditor's report.

