

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

**DENTON COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2017**



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

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**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2017**



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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Denton County Fresh Water  
Supply District No. 1-A  
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-A (the "District"), as of and for the year ended September 30, 2017, 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.

### **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, 2017, 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.





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

## **OTHER MATTERS**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of District Contributions 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* and the other supplementary information 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. This 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

January 16, 2018



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Management's discussion and analysis of Denton County Fresh Water Supply District No. 1-A's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2017. 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 financial statements provide 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 Statement of Net Position includes all of the District's assets, liabilities, and deferred inflows and outflows of resources, 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 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-A  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**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 two governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. 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. In addition, the Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of District Contributions are included in RSI.

**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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,635,298 as of September 30, 2017.

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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

	Summary of Changes in the Statement of Net Position		
	2017	2016	Change Positive (Negative)
Current and Other Assets	\$ 16,021,530	\$ 22,090,378	\$ (6,068,848)
Capital Assets (Net of Accumulated Depreciation)	<u>4,411,475</u>	<u>4,245,889</u>	<u>165,586</u>
Total Assets	<u>\$ 20,433,005</u>	<u>\$ 26,336,267</u>	<u>\$ (5,903,262)</u>
Deferred Outflows of Resources	<u>\$ 191,948</u>	<u>\$ 215,523</u>	<u>\$ (23,575)</u>
Due to Developer	\$ 11,164,985	\$ 17,578,307	\$ 6,413,322
Noncurrent Liabilities	2,105,000	2,270,000	165,000
Other Liabilities	<u>4,532,055</u>	<u>4,485,488</u>	<u>(46,567)</u>
Total Liabilities	<u>\$ 17,802,040</u>	<u>\$ 24,333,795</u>	<u>\$ 6,531,755</u>
Deferred Inflows of Resources	<u>\$ 187,615</u>	<u>\$ 115,489</u>	<u>\$ (72,126)</u>
Net Position:			
Net Investment in Capital Assets	\$ 2,141,475	\$ 1,810,889	\$ 330,586
Restricted	605,841	265,084	340,757
Unrestricted	<u>(112,018)</u>	<u>26,533</u>	<u>(138,551)</u>
Total Net Position	<u>\$ 2,635,298</u>	<u>\$ 2,102,506</u>	<u>\$ 532,792</u>

The following table provides a summary of the District's operations for the years ended September 30, 2017, and September 30, 2016. The District's net position increased by \$532,792, accounting for a 25.3% increase in net position.

	Summary of Changes in the Statement of Activities		
	2017	2016	Change Positive (Negative)
Revenues:			
Project Management Fee	\$ 449,305	\$ 570,811	\$ (121,506)
Contracted Services	7,756	6,904	852
Charges for Services	85,513	84,156	1,357
Other Revenue	<u>160,008</u>	<u>31,410</u>	<u>128,598</u>
Total Revenues	<u>\$ 702,582</u>	<u>\$ 693,281</u>	<u>\$ 9,301</u>
Expenses for Services	<u>169,790</u>	<u>749,174</u>	<u>579,384</u>
Change in Net Position	<u>\$ 532,792</u>	<u>\$ (55,893)</u>	<u>\$ 588,685</u>
Net Position, Beginning of Year	<u>2,102,506</u>	<u>2,158,399</u>	<u>(55,893)</u>
Net Position, End of Year	<u>\$ 2,635,298</u>	<u>\$ 2,102,506</u>	<u>\$ 532,792</u>

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's combined fund balances as of September 30, 2017, were \$289,800, an increase of \$185,052 from the prior year.

The General Fund fund balance decreased by \$155,705, primarily due to the contributions to other districts for the allocation of costs.

The Capital Projects Fund fund balance increased by \$340,757, primarily due to PID contributions from other districts.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$104,627 more than budgeted revenues. Actual expenditures were \$29,080 less than budgeted.

**CAPITAL ASSETS**

The District's capital assets as of September 30, 2017, amount to \$4,411,475 (net of accumulated depreciation). These capital assets include the lift station, ground storage tank, equipment, office equipment, vehicles, water management system, and SCADA system.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2017	2016	Change Positive (Negative)
Capital Assets, Net of Accumulated Depreciation:			
Lift Station	\$ 1,181,798	\$ 1,184,422	\$ (2,624)
Ground Storage Tank	2,502,634	2,575,606	(72,972)
Equipment	297,363	164,702	132,661
Office Equipment	11,388		11,388
Vehicles	178,594	53,851	124,743
Water System	216,100	228,267	(12,167)
SCADA System	23,598	39,041	(15,443)
Total Net Capital Assets	\$ 4,411,475	\$ 4,245,889	\$ 165,586

Additional information on the District's capital assets can be found in Note 5 of this report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2017**

	General Fund	Capital Projects Fund
<b>ASSETS</b>		
Cash	\$ 2,342,186	\$ 220,320
Receivables:		
Service Accounts (Net of Allowance for Doubtful Accounts of \$-0-)	78	
Other	8,322	
Due from Other Funds	29,739	158,623
Prepaid Costs	94,180	
Due from Other Government Units	1,705,094	315,501
Net Pension Asset		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 4,179,599</b>	<b>\$ 694,444</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows - Pension	\$ - 0 -	\$ - 0 -
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 4,179,599</b>	<b>\$ 694,444</b>

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



<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 2,562,506	\$	\$ 2,562,506
78		78
8,322		8,322
188,362	(188,362)	
94,180		94,180
2,020,595	10,945,351	12,965,946
	390,498	390,498
	<u>4,411,475</u>	<u>4,411,475</u>
<u>\$ 4,874,043</u>	<u>\$ 15,558,962</u>	<u>\$ 20,433,005</u>
<u>\$ - 0 -</u>	<u>\$ 191,948</u>	<u>191,948</u>
<u>\$ 4,874,043</u>	<u>\$ 15,750,910</u>	<u>\$ 20,624,953</u>

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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2017**

	General Fund	Capital Projects Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 675,269	\$
Compensated Absences		
Due to Other Governmental Units	3,652,851	
Due to Developer		58,864
Due to Other Funds	158,623	29,739
Security Deposits	8,897	
Long Term Liabilities:		
Due Within One Year		
Due After One Year		
<b>TOTAL LIABILITIES</b>	<b>\$ 4,495,640</b>	<b>\$ 88,603</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows - Pension	\$ -0-	\$ -0-
 <b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 94,180	\$
Restricted for Authorized Construction		605,841
Unassigned	(410,221)	
<b>TOTAL FUND BALANCES</b>	<b>\$ (316,041)</b>	<b>\$ 605,841</b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,179,599</b>	<b>\$ 694,444</b>
 <b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Capital Projects		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 675,269	\$	\$ 675,269
	30,038	30,038
3,652,851		3,652,851
58,864	11,106,121	11,164,985
188,362	(188,362)	
8,897		8,897
	165,000	165,000
	<u>2,105,000</u>	<u>2,105,000</u>
<u>\$ 4,584,243</u>	<u>\$ 13,217,797</u>	<u>\$ 17,802,040</u>
<u>\$ -0-</u>	<u>\$ 187,615</u>	<u>\$ 187,615</u>
\$ 94,180	\$ (94,180)	\$
605,841	(605,841)	
<u>(410,221)</u>	<u>410,221</u>	
<u>\$ 289,800</u>	<u>\$ (289,800)</u>	<u>\$ - 0 -</u>
<u>\$ 4,874,043</u>		
	\$ 2,141,475	\$ 2,141,475
	605,841	605,841
	<u>(112,018)</u>	<u>(112,018)</u>
	<u>\$ 2,635,298</u>	<u>\$ 2,635,298</u>

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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

Total Fund Balances - Governmental Funds	\$	289,800
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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 amounts contributed for construction projects. This amount is not a current financial resource, therefore, this amount is only recorded as a receivable in the Statement of Net Position.		10,945,351
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Portions of the change in net pension asset that are not immediately recognized as pension expense are recorded as deferred outflows and inflows of resources.		394,831
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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.		4,411,475
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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:

Compensated Absences	\$ (30,038)	
Due to Developer	(11,106,121)	
Bonds Payable	<u>(2,270,000)</u>	<u>(13,406,159)</u>

Total Net Position - Governmental Activities	\$	<u><u>2,635,298</u></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-A  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	General Fund	Capital Projects Fund
<b>REVENUES</b>		
Project Management Fee	\$	\$
Charges for Service	85,513	
Penalty and Interest	771	
Permit and Inspection Fees	6,985	
Investment Revenues	476	
Miscellaneous Revenues	10,882	
	<u>104,627</u>	<u>- 0 -</u>
<b>TOTAL REVENUES</b>	<b>\$ 104,627</b>	<b>\$ - 0 -</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Personnel Expenditures	\$ 2,003,210	\$
Professional Fees	279,563	
Contracted Services	78,703	
Purchased Water and Wastewater Services	1,938,120	
Utilities	344,490	
Repairs and Maintenance	1,729,704	
Depreciation		
Other	647,553	
Allocated Costs	(7,338,097)	
Capital Outlay	219,979	
Debt Service:		
TWDB ARRA Payment	165,000	
	<u>68,225</u>	<u>-0-</u>
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 68,225</b>	<b>\$ -0-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<b>\$ 36,402</b>	<b>\$ -0-</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In(Out)	\$ (60,500)	\$ 60,500
Contributed from (to) Other Governmental Units	(131,607)	280,257
	<u>(192,107)</u>	<u>340,757</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (192,107)</b>	<b>\$ 340,757</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (155,705)</b>	<b>\$ 340,757</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES (DEFICIT)/NET POSITION - OCTOBER 1, 2016</b>	<b>(160,336)</b>	<b>265,084</b>
<b>FUND BALANCES (DEFICIT)/NET POSITION - SEPTEMBER 30, 2017</b>	<b><u>(316,041)</u></b>	<b><u>605,841</u></b>

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

Total	Adjustments	Statement of Activities
\$ 85,513	\$ 449,305	\$ 449,305
771		85,513
6,985		771
476		6,985
10,882	148,650	476
<u>104,627</u>	<u>597,955</u>	<u>159,532</u>
\$ 2,003,210	\$ (17,154)	\$ 1,986,056
279,563		279,563
78,703		78,703
1,938,120		1,938,120
344,490		344,490
1,729,704	(283,444)	1,446,260
	328,730	328,730
647,553		647,553
(7,338,097)	449,305	(6,888,792)
219,979	(210,872)	9,107
165,000	(165,000)	
<u>68,225</u>	<u>101,565</u>	<u>169,790</u>
\$ 36,402	\$ 496,390	\$ 532,792
\$ 148,650	\$ (148,650)	\$
<u>148,650</u>	<u>(148,650)</u>	<u>-0-</u>
\$ 185,052	\$ (185,052)	\$
	532,792	532,792
104,748	1,997,758	2,102,506
<u>289,800</u>	<u>2,345,498</u>	<u>2,635,298</u>

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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A  
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, 2017**

Net Change in Fund Balances - Governmental Funds	\$	185,052
Amounts reported for governmental activities in the Statement of Activities are different because:		
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.		(328,730)
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.		494,316
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		165,000
The changes in the net pension liability as well as deferred inflows and outflows of resources - pension are recorded as pension expense in the government-wide financial statements. Compensated Absences are reported as a liability in the Statement of Net Position. Therefore, an expense is recored in the Statement of Activities.		<u>17,154</u>
Change in Net Position - Governmental Activities	\$	<u><u>532,792</u></u>

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



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**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 the Denton County Fresh Water Supply District No. 1-A (the District). As a result of another election held on August 8, 1987, the voters approved the District's assumption of certain rights, authority, privileges and functions of a road district and approved for the District to purchase, construct, acquire, own, operate, repair, improve, and extend sanitary sewer systems. On December 21, 1993, following a hearing, the governing board of the District approved the conversion of the District 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 the District on May 6, 1995, voters approved the division of the District into two new districts of which Denton County Fresh Water Supply District No. 1-A was one. The District held its first meeting on July 13, 1995. 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, solid waste collection and disposal, including recycling, and to construct 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 firefighting activities within the District. The District and its operations are part of the eight Districts which make up the community referred to as Castle Hills. The District has contracted to operate the Districts included in the Castle Hills Development, including Denton County Fresh Water Supply District No. 1-B, 1-C, 1-D 1-E, 1-F, 1-G and 1-H.

**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-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**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.

The 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-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**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 two 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.

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 inflows of resources related to property 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. The General Fund owes the Capital Projects Fund \$158,623 for projects designated to be paid with reserve funds in the General Fund. The Capital Projects Fund owes the General Fund \$29,739 for expenses paid by the General Fund.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**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
Pump Station Equipment	7-20
Office Equipment	3-5
Vehicles	5
Ground Storage Tank	45
Lift Station	45

Budgeting

In compliance with governmental accounting principles and the Operating Agreement (Note 12), the Board of Directors annually adopts an unappropriated budget for the General Fund.

Pensions

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 for the directors. A plan has been established for the District’s employees other than directors. (See Note 17).

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**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-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Allocated Costs

Pursuant to the Operating Agreement (Note 12), the District pays all expenses required to maintain, operate and manage the facilities of District 1-B through 1-H and all expenses related to management of the District. On a monthly basis, the District allocates to District 1-B through 1-H their allocate shares of expenses, which is reflected as reimbursements from other governmental units in the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 3. DEPOSITS AND INVESTMENTS**

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. As of September 30, 2017, the District's deposits that were in excess of FDIC limits were fully covered by collateral.

The District is the custodian of a pooled cash account. The consolidated cash account is allocated between districts with operations within the Castle Hills development. At September 30, 2017, the pooled cash bank balance consisted of \$3,200,411 in cash and \$469,743 in certificates of deposit. The book balance of the entire pooled cash account was \$3,600,197. The book balance of the District's share of pooled cash was \$1,172,332.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

Deposits (Continued)

The District also had deposits in non-pooled cash accounts. As of September 30, 2017, the bank balance of these deposits were \$1,390,174 and the book balance was \$1,390,174.

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, and 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.

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-I 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.

As of September 30, 2017, the District had no investments; however, when possible the District's bank deposits are placed in interest bearing accounts.

Restrictions

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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 4. DUE TO OR FROM OTHER GOVERNMENTAL UNITS**

As a part of the normal course of operations which include transactions with other Districts within Castle Hills and other governments, the District may owe or be owed funds from other governmental entities. At September 30, 2017, the amounts reflected on the Statement of Net Position and the Governmental Funds Balance Sheet as due from and to other governments included amounts due to and due from Districts 1-B through 1-H.

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2017:

	October 1, 2016	Increases	Decreases	September 30, 2017
<b>Capital Assets Subject to Depreciation</b>				
Lift Station	\$ 1,532,766	\$ 45,000	\$	\$ 1,577,766
Ground Storage Tank	2,930,843			2,930,843
Equipment	595,479	188,302	71,461	712,320
Office Equipment	118,853	12,000		130,853
Vehicles	469,372	249,014	188,926	529,460
Water System	243,333			243,333
SCADA System	104,500			104,500
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 5,995,146</u>	<u>\$ 494,316</u>	<u>\$ 260,387</u>	<u>\$ 6,229,075</u>
<b>Less Accumulated Depreciation</b>				
Lift Station	\$ 348,344	\$ 47,624	\$	\$ 395,968
Ground Storage Tank	355,237	72,972		428,209
Equipment	430,777	55,641	71,461	414,957
Office Equipment	118,853	612		119,465
Vehicles	415,521	124,271	188,926	350,866
Water System	15,066	12,167		27,233
SCADA System	65,459	15,443		80,902
<b>Total Accumulated Depreciation</b>	<u>\$ 1,749,257</u>	<u>\$ 328,730</u>	<u>\$ 260,387</u>	<u>\$ 1,817,600</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 4,245,889</u>	<u>\$ 165,586</u>	<u>\$ - 0 -</u>	<u>\$ 4,411,475</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 4,245,889</u>	<u>\$ 165,586</u>	<u>\$ - 0 -</u>	<u>\$ 4,411,475</u>

On April 19, 2006, a Cost Sharing Agreement was executed between Denton County Fresh Water Supply District Nos. 1-B, 1-C, 1-D, 1-E and the District. The agreement provided for a cost sharing of the cost of construction of certain Lift Station Facilities. The District will own 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 District No. 1-B, District No.



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 5. CAPITAL ASSETS (Continued)**

1-C, District No. 1-D and District No. 1-E. On September 23, 2009, the District executed an Excess Capacity Purchase Agreement (ECPA) with District No. 1-B, District No. 1-C, District No. 1-D, District No. 1-E, 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 connection as of September 30, 2017. Capacity in the facilities is allocated as follows:

District No. 1-B	17.24%
District No. 1-C	6.06
District No. 1-D	21.63
District No. 1-E	21.53
District No. 1-F	29.23
District No. 1-G	4.26
District No. 1-H	<u>0.05</u>
Total	<u>100.00%</u>

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

**NOTE 6. LONG-TERM DEBT**

**Texas Water Development Bonds**

The contract revenue bonds are serial obligations with zero interest rate and scheduled to mature annually through 2030 when the full \$3,335,000 has been issued. The District closed the bonds at \$3,260,000. The District is obligated for \$2,270,000 at year end.

The revenue bonds are payable from the net revenues of the District. Gross revenues are to be used for operating and maintenance expense of the system, and second to maintain revenue bond funds in accordance with the bond covenants. The District is in compliance with the revenue bond debt covenants as of September 30, 2017. Remaining revenues may then be used for any lawful purpose.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 6. LONG-TERM DEBT (Continued)**

**Texas Water Development Bonds (Continued)**

Debt service requirements of the revenue bonds for the years subsequent to September 30, 2017 are as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 165,000	\$	\$ 165,000
2019	165,000		165,000
2020	165,000		165,000
2021	165,000		165,000
2022	165,000		165,000
2023-2027	840,000		840,000
2028-2031	605,000		605,000
	<u>\$ 2,270,000</u>	<u>\$ - 0 -</u>	<u>\$ 2,270,000</u>

**NOTE 7. RESERVE PAYMENTS TO OTHER GOVERNMENTAL UNITS**

Beginning in fiscal year 2011, the District recognized the need to develop a reserve to be used for one-time expenditures which are necessary to operate and maintain the facilities of the Castle Hills Development. The District accounts for the other districts' deposits in a separate reserve account and will only utilize the funds in accordance with the District's 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.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

On July 15, 1996, the District, Denton County Fresh Water Supply District No. 1-B (District No.1-B), and the City of Lewisville (Lewisville) executed an Amended and Restated Joint Utility Contract. On November 13, 1997, Amendment No.1 to the Amended and Restated Joint Utility Contract was approved. The contract states that Lewisville will proceed with financing utility and road facilities within District No.1-B through the sale of \$20,992,740 in Public Improvement District (PID) bonds, now referred to as Lewisville Castle Hills Public Improvement District, referred to herein as PID 1. The District will have primary responsibility as Project Manager and shall perform its duties in accordance with an agreement dated March 14, 1997, (see Note 9). The District is responsible for designating the consulting engineer on the project and will approve the projects along with Lewisville.

The District 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. The District 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 1-B 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 1 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 Lewisville through PID 1, District No.1-B agreed to pay Lewisville the amount necessary to repay the debt service requirements and costs of the PID 1 Bonds as they mature. District No.1-B will commit each year to levy, assess and collect a tax on all taxable property within District No.1-B, unlimited by rate or amount, sufficient to service the debt and other costs incidental to the PID 1 Bonds. Lewisville will calculate the total amount of payments to be made on the PID 1 Bonds on the following March 1, after application of the available reserves from proceeds of the PID 1 Bonds and, if needed, will calculate an assessment on all assessable property within the PID 1, which if 95% of such assessments are collected, would be sufficient to make the entire annual payment to Lewisville. Lewisville will notify District No.1-B of the calculation of the Annual Assessment by September 1 of each year following the above referenced March 1.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

During the current fiscal year, District No. 1-B made contract tax payments of \$1,382,620 to the City of Lewisville in accordance with the bond covenants. No assessments were collected within PID 1. The reserve fund requirement at September 30, 2017, is \$892,500 and District No. 1-B has fully satisfied that requirement at year end. The City of Lewisville at September 30, 2017 is holding \$1,652,472 in trust for District No. 1-B, including reserve funds. The amount held in trust in excess of the reserve is available to cover debt service requirements of PID 1. The Reserve Fund is maintained by the City of Lewisville for PID 1.

The following is an amortization schedule of the existing outstanding debt District No. 1-B's contract tax is expected to amortize.

PID 1 S E R I E S - 1 9 9 8			
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2018	\$ 570,000	\$ 326,250	\$ 896,250
2019	605,000	293,190	898,190
2020	640,000	258,100	898,100
2021	680,000	220,980	900,980
2022	715,000	181,540	896,540
2023	760,000	140,070	900,070
2024	805,000	95,990	900,990
2025	850,000	49,300	899,300
	\$ 5,625,000	\$ 1,565,420	\$ 7,190,420

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

PID 1			
SERIES - 2015 REFUNDING			
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2018	\$ 365,000	\$ 119,400	\$ 484,400
2019	380,000	108,450	488,450
2020	390,000	93,250	483,250
2021	405,000	77,650	482,650
2022	420,000	61,450	481,450
2023	445,000	44,650	489,650
2024	455,000	26,850	481,850
2025	440,000	13,200	453,200
	\$ 3,300,000	\$ 544,900	\$ 3,844,900

On February 1 following the date of receipt of written notification of the Annual Assessment, District No.1-B will certify to Lewisville the amount of all taxes collected. Lewisville will then impose an assessment, if needed, within the PID 1 sufficient to pay the debt service requirement on the PID 1 Bonds as they come due. The parties to the agreement acknowledge that the contract tax levy is contingent upon a one-time approval by the voters within District No.1-B. Such election occurred on August 10, 1996, and approved the levy and collection of said tax. For the fiscal year ending September 30, 2017, District No. 1-B levied a contract tax at the rate of \$0.516 per \$100 of assessed valuation on taxable property within District No. 1-B, which resulted in a tax levy of \$1,497,687. The term of the agreement is forty (40) years.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

On October 14, 1999, the District, Denton County Fresh Water Supply District No. 1-D (District No. 1-D), and the City of Lewisville (Lewisville) executed a Joint Utility Contract. The Joint Utility Contract states that Lewisville will proceed with financing utility and road facilities within District No. 1-D through the sale of \$28,500,000 of Lewisville Castle Hills Public Improvement District No. 2 (PID 2) bonds; the first installment of these bonds were sold in the amount of \$14,000,000. The first installment of bonds was followed by a refunding and capital improvement bond series issued in 2002 in the amount of \$18,150,000. During the 2006 fiscal year, the final installment of bonds was sold in the amount of \$10,350,000. During the 2013 fiscal year, refunding bonds were issued in the amount of \$14,300,000 and were used to refund \$13,140,000 of the outstanding balance of the Series 2002 bonds. During the 2015 fiscal year, refunding bonds were issued in the amount of \$8,490,000 and along with currently available Debt Service Fund monies were used to refund \$9,285,000 of the outstanding balance of the Series 2005 bonds. The District will have primary responsibility as Project Manager and shall perform its duties in accordance with an agreement dated June 14, 2000, which was amended on June 11, 2002. The District is responsible for designating the consulting engineer on the project and will approve the projects along with Lewisville.

The District 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. The District 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-D 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 2 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 and Lewisville, District No. 1 -D agreed to pay Lewisville the amount necessary to repay the debt service requirements and costs of the PID 2 Bonds as they mature. District No. 1-D committed each year to levy, assess and collect a tax on all taxable property within the District, unlimited by rate or amount, sufficient to service the debt and other costs incidental to the PID 2 Bonds. Lewisville will calculate the total amount of payments to be made on the PID 2 Bonds on the following March 1, after application of the available reserves from proceeds of the PID 2 Bonds and will, if needed, calculate an assessment on all assessable property within the PID 2, which if 95% of such assessments are collected, would be sufficient to make the entire annual payment to Lewisville. Lewisville will notify District No. 1-D of the calculation of the Annual Assessment by September 1 of each year preceding the above-referenced March 1.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

During the current fiscal year, District No. 1-D made contract tax payments to the City of Lewisville in the amount of \$1,987,169 in accordance with the bond covenants. No assessments were collected within PID 2. The reserve fund requirement as of September 30, 2017, is \$1,879,219 and District No. 1-D has fully satisfied that requirement at year end. The City of Lewisville is holding \$2,739,053 in trust for District No. 1-D at September 30, 2017, including reserve funds. The amounts held in trust in excess of the reserve requirement are available to cover debt service required of PID 2.

The following is an amortization schedule of the existing outstanding debt District No. 1-D's contract tax is expected to amortize.

PID 2			
REFUNDING SERIES - 2013			
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2018	\$ 980,000	\$ 385,450	\$ 1,365,450
2019	1,005,000	356,050	1,361,050
2020	1,040,000	325,900	1,365,900
2021	1,070,000	294,700	1,364,700
2022	1,100,000	262,600	1,362,600
2023	1,130,000	229,600	1,359,600
2024	1,165,000	195,700	1,360,700
2025	1,200,000	160,750	1,360,750
2026	1,240,000	123,250	1,363,250
2027	1,280,000	84,500	1,364,500
2028	1,320,000	42,900	1,362,900
	\$ 12,530,000	\$ 2,461,400	\$ 14,991,400

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

PID 2				
REFUNDING SERIES - 2015				
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2018	\$ 340,000	\$ 281,519	\$	621,519
2019	355,000	267,919		622,919
2020	365,000	260,819		625,819
2021	380,000	246,219		626,219
2022	395,000	231,019		626,019
2023	405,000	215,219		620,219
2024	425,000	199,019		624,019
2025	440,000	182,019		622,019
2026	460,000	164,419		624,419
2027	475,000	150,619		625,619
2028	490,000	135,775		625,775
2029	500,000	119,850		619,850
2030	520,000	102,350		622,350
2031	540,000	84,150		624,150
2032	560,000	65,250		625,250
2033	580,000	44,250		624,250
2034	600,000	22,500		622,500
	\$ 7,830,000	\$ 2,772,915	\$	10,602,915

On February 1 following the date of receipt of written notification of the Annual Assessment, District No. 1-D will certify to Lewisville the amount of all taxes collected. Lewisville will then impose an assessment, if needed, with the PID 2 sufficient to pay the debt service requirement on the PID 2 Bonds as they come due. The parties to the agreement acknowledged that the tax levy would be contingent upon a one-time approval by the voters within District No. 1-D. Such election occurred on May 6, 2000, and approved the levy and collection of said tax. For the fiscal year ending September 30, 2017, District No. 1-D levied a contract tax at the rate of \$0.4259 per \$100 of assessed valuation upon property with District No. 1-D, which resulted in a tax levy of \$2,118,985. The term of the agreement is forty (40) years.



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

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

The District 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. The District 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 -E shall have the right to acquire the facilities at any time by paying to Lewisville the amount necessary to repay, redeem, refund or defease the PID 3 bonds allocable to the facilities being acquired. The parties to the agreement agree that the cost of operations and maintenance of the facilities being constructed will be borne by the districts and not Lewisville.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

In order to finance the facilities being constructed with bond proceeds being issued by the PID 3 and Lewisville, District No. 1-E agreed to pay Lewisville the amount necessary to repay the debt service requirements and costs of the PID 3 Bonds as they mature. District No. 1-E committed each year to levy, assess and collect a tax on all taxable property within District No. 1-E, unlimited by rate or amount, sufficient to service the debt and other costs incidental to the PID 3 Bonds. Lewisville will calculate the total amount of payments to be made on the PID 3 Bonds on the following March 1, after application of the available reserves from proceeds of the PID 3 Bonds and, if needed, will calculate an assessment on all assessable property within the PID 3, which if 95% of such assessments are collected, would be sufficient to make the entire annual payment to Lewisville. Lewisville will notify District No. 1-E of the calculation of the Annual Assessment by September 1 of each year following the above-referenced March 1.

During the current fiscal year, District No. 1-E made contract tax payments of \$1,923,200 to the City of Lewisville in accordance with the bond covenants. No assessments were collected within PID 3. The reserve fund requirement at September 30, 2017, is \$2,010,000 and District No. 1-E has fully satisfied that requirement at year end. The City of Lewisville is holding \$2,505,549 in trust for District No. 1-E at September 30, 2017, including reserve funds. The amounts held in trust in excess of the reserve requirement are available to cover debt service required of PID 3.

The following is an amortization schedule of the existing outstanding debt District No. 1 -E's contract tax is expected to amortize.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

PID 3 S E R I E S - 2 0 1 1			
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2018	\$	\$ 134,900	\$ 134,900
2019		134,900	134,900
2020		134,900	134,900
2021		134,900	134,900
2022		134,900	134,900
2023		134,900	134,900
2024		134,900	134,900
2025		134,900	134,900
2026		134,900	134,900
2027		134,900	134,900
2028		134,900	134,900
2029		134,900	134,900
2030	1,250,000	134,900	1,384,900
2031	1,590,000	75,525	1,665,525
	\$ 2,840,000	\$ 1,829,225	\$ 4,669,225

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

PID 3 SERIES - 2015 REFUNDING			
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2018	\$ 1,190,000	\$ 603,800	\$ 1,793,800
2019	1,225,000	568,100	1,793,100
2020	1,260,000	531,350	1,791,350
2021	1,295,000	493,550	1,788,550
2022	1,335,000	454,700	1,789,700
2023	1,385,000	401,300	1,786,300
2024	1,445,000	345,900	1,790,900
2025	1,515,000	273,650	1,788,650
2026	1,575,000	213,050	1,788,050
2027	1,625,000	165,800	1,790,800
2028	1,680,000	112,988	1,792,988
2029	1,730,000	58,388	1,788,388
	\$ 17,260,000	\$ 4,222,576	\$ 21,482,576

On February 1 following the date of receipt of written notification of the Annual Assessment, District No. 1-E will certify to Lewisville the amount of all taxes collected. Lewisville will then impose an assessment, if needed, with the PID 3 sufficient to pay the debt service requirement on the PID 3 Bonds as they come due. The parties to the agreement acknowledged that the tax levy would be contingent upon a one-time approval by the voters within District No. 1-E. Such election occurred on November 7, 2000, and approved the levy and collection of said tax. For the fiscal year ending September 30, 2017, District No. 1-E levied a contract tax of \$0.5937 per \$100 of assessed valuation on property within District No. 1-E, which resulted in a tax levy of \$2,053,722. The term of this contract is forty (40) years.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

On May 21, 2007, the District, Denton County Fresh Water Supply District No. 1-F (District No. 1-F), 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. On August 7, 2017, the Amended and Restated 2016 Joint Utility Contract was approved. The agreement became effective on the date executed by Lewisville and District No. 1-F 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. On July 26, 2017, \$13,350,000 of Combination Contract Revenue and Special Assessment Refunding Bonds were sold. The District will have primary responsibility as Project Manager and shall perform its duties in accordance with an agreement dated October 1, 2006. The District is responsible for designating the consulting engineer on the project and approves the projects along with Lewisville.

The District 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. The District 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-F 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, District No. 1-F agreed to pay Lewisville the amount necessary to repay the debt service requirements and costs of the PID 4 Bonds as they mature. District No. 1-F committed each year to levy, assess and collect a tax on all taxable property within District No. 1-F, 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.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

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, which if 95% of such assessments are collected, would be sufficient to make the entire annual payment to Lewisville. Lewisville will notify District No. 1-F of the calculation of the Annual Assessment by September 1 of each year proceeding the above-referenced February 1.

During the fiscal year, District No. 1-F made contract tax payments of \$3,524,952 to the City of Lewisville in accordance with the bond covenants. As of the fiscal year end, the reserve fund requirement is \$2,715,118. District No. 1-F has fully funded the reserve. The Reserve Fund is maintained by PID 4. As of September 30, 2017, District No. 1-F had \$3,533,123 in trust with the City of Lewisville.

The following is an updated amortization schedule on the existing outstanding debt District No 1-F's contract tax and assessments are expected to amortize as of September 30, 2017:

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
2018	\$ 650,000	\$ 556,537	\$ 1,206,537
2019	695,000	73,406	768,406
2020	740,000	24,975	764,975
	\$ 2,085,000	\$ 654,918	\$ 2,739,918

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACTS (Continued)**

PID 4				
SERIES - 2011 UTILITY				
Due During Fiscal Years Ending September 30	Principal Due October 1	Interest Due October 1/ April 1	Total	
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		\$ 2,760,581	\$ 5,725,581

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACTS (Continued)**

PID 4			
SERIES - 2011 ROAD			
Due During Fiscal Years Ending September 30	Principal Due October 1	Interest Due October 1/ April 1	Total
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	\$ 4,928,314	\$ 10,283,314



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

PID 4			
SERIES - 2014 UTILITY			
Due During Fiscal Years Ending September 30	Principal Due October 1	Interest Due October 1/ April 1	Total
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
	<u>\$ 3,550,000</u>	<u>\$ 1,883,888</u>	<u>\$ 5,433,888</u>

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACTS (Continued)**

PID 4 SERIES - 2017 REFUNDING			
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2018	\$	\$ 259,983	\$ 259,983
2019	165,000	412,482	577,482
2020	165,000	409,182	574,182
2021	965,000	393,057	1,358,057
2022	990,000	363,731	1,353,731
2023	1,020,000	333,582	1,353,582
2024	1,050,000	302,531	1,352,531
2025	1,085,000	270,507	1,355,507
2026	1,115,000	236,112	1,351,112
2027	1,150,000	197,869	1,347,869
2028	1,190,000	156,918	1,346,918
2029	1,230,000	117,643	1,347,643
2030	1,270,000	80,142	1,350,142
2031	1,305,000	40,702	1,345,702
2032	650,000	10,156	660,156
	\$ 13,350,000	\$ 3,584,597	\$ 16,934,597

On February 1 following the date of receipt of written notification of the Annual Assessment, District No. 1-F will certify to Lewisville the amount of all taxes collected. If necessary, Lewisville will then impose an assessment with the PID 4 sufficient to pay the debt service requirement on the PID 4 Bonds as they come due. The parties to the agreement acknowledged that the tax levy would be contingent upon a one-time approval by the voters within District No. 1-F. Such election occurred on May 12, 2007, and approved the levy and collection of said tax.

For the fiscal year ending September 30, 2017, District No. 1-F levied a contract tax at the rate of \$0.4798 per \$100 of assessed valuation upon property with District No. 1-F, which resulted in a tax levy of \$2,435,720. The term of the agreement is forty (40) years.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

On May 19, 2014, the District, Denton County Fresh Water Supply District No. 1-G (District No. 1-G) and the City of Lewisville (Lewisville) executed a 2008 Joint Utility Contract and a 2008 Joint Road Contract. The contracts state that Lewisville will proceed with financing utility and road facilities within District 1-G through the sale of \$25,600,000 of Lewisville Castle Hills Public Improvement District No. 5 (PID 5) utility bonds and \$10,400,000 of PID 5 road bonds; the first installment of these bonds were sold in the amount of \$3,255,000 in Combination Contract Revenue and Special Assessment Utility System Bonds and \$4,495,000 in Combination Contract Revenue and Special Assessment Road System Bonds. On December 29, 2015, the second installment of these bonds were sold in the amount of \$10,950,000 in Combination Contract Revenue and Special Assessment Utility System Bonds. The District will have primary responsibility as Project Manager and shall perform its duties in accordance with the agreements dated May 19, 2014. The District is responsible for designating the consulting engineer on the project and will approve the projects along with Lewisville. The term of the contracts is 40 years.

The District 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. The District 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-G 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 5 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 5 and Lewisville, District 1-G agreed to pay Lewisville the amount necessary to repay the debt service requirements and costs of the PID Bonds as they mature. District 1-G committed each year to levy, assess and collect a tax on all taxable property within District 1-G, unlimited by rate or amount, sufficient to service up to ninety-nine percent (99%) of the debt and other costs incidental to the PID 5 Bonds.

The additional one percent (1%) of the debt and other costs included to the PID 5 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 5 Bonds on the following February 1, after

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACTS (Continued)**

application of the available reserves from proceeds of the PID 5 Bonds and will calculate an assessment on all assessable property within the PID 5, which if 95% of such assessments are collected, would be sufficient to make the entire annual payment to Lewisville.

During the current fiscal year, the District made regular contract tax payments of \$1,681,775 to the City of Lewisville in accordance with the bond covenants. As of fiscal year end, the reserve fund requirement is \$1,791,400. District 1-G has fully satisfied the reserve. The Reserve Fund is maintained by PID 5. At September 30, 2017, the City of Lewisville is holding \$1,912,009 in trust for the District, including reserve funds. The amounts held in trust in excess of the reserve requirement are available to cover debt service required of PID 5. The following is an amortization schedule of the existing outstanding debt District No. 1 -G's contract tax is expected to amortize.

PID 5 SERIES - 2014 UTILITY			
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2018	\$ 105,000	\$ 199,224	\$ 304,224
2019	110,000	192,400	302,400
2020	120,000	185,250	305,250
2021	125,000	177,450	302,450
2022	135,000	169,325	304,325
2023	145,000	160,550	305,550
2024	150,000	151,125	301,125
2025	160,000	141,375	301,375
2026	170,000	130,975	300,975
2027	185,000	119,925	304,925
2028	195,000	107,900	302,900
2029	210,000	95,225	305,225
2030	220,000	81,575	301,575
2031	235,000	67,275	302,275
2032	250,000	52,000	302,000
2033	265,000	35,750	300,750
2034	285,000	18,525	303,525
	\$ 3,065,000	\$ 2,085,849	\$ 5,150,849

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

PID 5			
SERIES - 2014 ROADS			
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2018	\$ 145,000	\$ 275,275	\$ 420,275
2019	155,000	265,850	420,850
2020	160,000	255,775	415,775
2021	175,000	245,375	420,375
2022	185,000	234,000	419,000
2023	195,000	221,975	416,975
2024	210,000	209,300	419,300
2025	225,000	195,650	420,650
2026	235,000	181,025	416,025
2027	255,000	165,750	420,750
2028	270,000	149,175	419,175
2029	285,000	131,625	416,625
2030	305,000	113,100	418,100
2031	325,000	93,275	418,275
2032	345,000	72,150	417,150
2033	370,000	49,725	419,725
2034	395,000	25,675	420,675
	\$ 4,235,000	\$ 2,884,700	\$ 7,119,700

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

PID 5				
SERIES - 2015 UTILITY				
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2018	\$ 320,000	\$ 639,000	\$	959,000
2019	340,000	619,800		959,800
2020	360,000	599,400		959,400
2021	380,000	577,800		957,800
2022	405,000	555,000		960,000
2023	430,000	530,700		960,700
2024	455,000	504,900		959,900
2025	485,000	477,600		962,600
2026	515,000	448,500		963,500
2027	540,000	417,600		957,600
2028	575,000	385,200		960,200
2029	610,000	350,700		960,700
2030	650,000	314,100		964,100
2031	685,000	275,100		960,100
2032	730,000	234,000		964,000
2033	770,000	190,200		960,200
2034	815,000	144,000		959,000
2035	1,585,000	95,100		1,680,100
	\$ 10,650,000	\$ 7,358,700		\$ 18,008,700

On February 1 following the date of receipt of written notification of the Annual Assessment, District No. 1-G 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 District No. 1-G. Such election occurred on March 4, 2008, and approved the levy and collection of said tax. For the fiscal year ending September 30, 2017, District No. 1-G levied a contract tax of \$0.752 per \$100 of assessed valuation on property within District No. 1-G, which resulted in a tax levy of \$1,748,393.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACTS (Continued)**

On August 18, 2014, the Denton County Fresh Water Supply District, District No. 1-H and the City of Lewisville (Lewisville) executed a 2008 Joint Utility Contract and a 2008 Joint Road Contract. On July 17, 2017, the District approved an Amended 2015 Joint Utility Contract and an Amended 2015 Joint Road Contract with the City. The amended contracts state that Lewisville will proceed with financing utility and road facilities within District 1-H through the sale of \$112,750,000 of Lewisville Castle Hills Public Improvement District No. 6 (PID 6) utility bonds and \$23,250,000 of PID 6 road bonds; the first installment of these bonds were sold in the amount of \$7,310,000 in Combination Contract Revenue and Special Assessment Utility System Bonds and \$1,200,000 in Combination Contract Revenue and Special Assessment Road System Bonds. The District will have primary responsibility as Project Manager and shall perform its duties in accordance with the agreements dated August 18, 2014. The District is responsible for designating the consulting engineer on the project and will approve the projects along with Lewisville. The term of the contract is 40 years.

The District 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. The District 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-H 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 6 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 6 and Lewisville, District 1-H agreed to pay Lewisville the amount necessary to repay the debt service requirements and costs of the PID 6 Bonds as they mature. District 1-H 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-nine percent (99%) of the debt and other costs incidental to the PID 6 Bonds.

The additional one percent (1%) of the debt and other costs included to the PID 6 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 6 Bonds on the following February 1, after application of the available reserves from proceeds of the PID 6 Bonds and will calculate an assessment on all assessable property within the PID 6, which if 95% of such assessments are collected, would be sufficient to make the entire annual payment to Lewisville.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

During the current fiscal year, the District 1-H made contract tax payments of \$792,550 to the City of Lewisville in accordance with the bond covenants. The reserve fund requirement at September 30, 2017, is \$3,054,500 and District 1-H has fully satisfied that requirement at year end. At September 30, 2017, the City of Lewisville is holding \$4,209,837 in trust for District 1-H, including reserve funds. The amounts held in trust in excess of the reserve requirement are available to cover debt service required of PID 6.

The following are the amortization schedules on the existing outstanding debt the District No. 1-H's contract tax is expected to amortize.

PID 6 SERIES - 2014 UTILITY			
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2018	\$ 270,000	\$ 442,975	\$ 712,975
2019	290,000	425,425	715,425
2020	310,000	406,575	716,575
2021	330,000	386,425	716,425
2022	350,000	364,975	714,975
2023	370,000	342,225	712,225
2024	395,000	318,175	713,175
2025	320,000	292,500	612,500
2026	350,000	271,700	621,700
2027	380,000	248,950	628,950
2028	405,000	224,250	629,250
2029	435,000	197,925	632,925
2030	460,000	169,650	629,650
2031	485,000	139,750	624,750
2032	520,000	108,225	628,225
2033	555,000	74,425	629,425
2034	590,000	38,350	628,350
	\$ 6,815,000	\$ 4,452,500	\$ 11,267,500



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACTS (Continued)**

PID 6			
SERIES - 2014 ROAD			
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2018	\$	\$ 78,000	\$ 78,000
2019		78,000	78,000
2020		78,000	78,000
2021		78,000	78,000
2022		78,000	78,000
2023		78,000	78,000
2024		78,000	78,000
2025	100,000	78,000	178,000
2026	100,000	71,500	171,500
2027	100,000	65,000	165,000
2028	105,000	58,500	163,500
2029	110,000	51,675	161,675
2030	120,000	44,525	164,525
2031	130,000	36,725	166,725
2032	135,000	28,275	163,275
2033	145,000	19,500	164,500
2034	155,000	10,075	165,075
	\$ 1,200,000	\$ 1,009,775	\$ 2,209,775

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

PID 6  
SERIES - 2016 UTILITY

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2018	\$	\$ 490,878	\$ 490,878
2019	120,000	461,400	581,400
2020	125,000	454,200	579,200
2021	130,000	446,700	576,700
2022	140,000	438,900	578,900
2023	155,000	430,500	585,500
2024	160,000	421,200	581,200
2025	270,000	411,600	681,600
2026	280,000	395,400	675,400
2027	290,000	378,600	668,600
2028	305,000	361,200	666,200
2029	320,000	342,900	662,900
2030	340,000	323,700	663,700
2031	365,000	303,300	668,300
2032	385,000	281,400	666,400
2033	410,000	258,300	668,300
2034	435,000	233,700	668,700
2035	1,085,000	207,600	1,292,600
2036	1,155,000	142,500	1,297,500
2037	1,220,000	73,200	1,293,200
	<u>\$ 7,690,000</u>	<u>\$ 6,857,178</u>	<u>\$ 14,547,178</u>

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

PID 6 SERIES - 2016 ROAD			
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2018	\$	\$ 977,288	\$ 977,288
2019	485,000	918,600	1,403,600
2020	515,000	889,500	1,404,500
2021	550,000	858,600	1,408,600
2022	580,000	825,600	1,405,600
2023	615,000	790,800	1,405,800
2024	650,000	753,900	1,403,900
2025	590,000	714,900	1,304,900
2026	635,000	679,500	1,314,500
2027	680,000	641,400	1,321,400
2028	720,000	600,600	1,320,600
2029	765,000	557,400	1,322,400
2030	810,000	511,500	1,321,500
2031	855,000	462,900	1,317,900
2032	910,000	411,600	1,321,600
2033	965,000	357,000	1,322,000
2034	1,020,000	299,100	1,319,100
2035	1,245,000	237,900	1,482,900
2036	1,320,000	163,200	1,483,200
2037	1,400,000	84,000	1,484,000
	\$ 15,310,000	\$ 11,735,288	\$ 27,045,288

On February 1 following the date of receipt of written notification of the Annual Assessment, District No. 1-H 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 District No. 1-H. Such election occurred on November 4, 2008, and approved the levy and collection of said tax. For the fiscal year ending September 30, 2017, District No. 1-H levied a contract tax of \$0.8521 per \$100 of assessed valuation on property within District No. 1-H, which resulted in a tax levy of \$834,536.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

On May 19, 2014, the District, Denton County Fresh Water Supply District No. 1-C (District No. 1-C) and the City of Lewisville (Lewisville) executed a 2011 Joint Utility Contract and a 2011 Joint Road Contract. On October 4, 2016, the First Amendment to the 2011 Joint Utility Contract and 2011 Joint Road Contract was approved. The amended contracts state that Lewisville will proceed with financing utility and road facilities within the District through the sale of \$3,050,000 of Lewisville Castle Hills Public Improvement District No. 7 (PID 7) utility bonds and \$4,550,000 of PID 7 road bonds; the first installment of these bonds were sold in 2014 in the amount of \$1,360,000 in Combination Contract Revenue and Special Assessment Utility System Bonds and \$1,405,000 in Combination Contract Revenue and Special Assessment Road System Bonds. The second installment of these bonds were sold in 2016 in the amount of \$1,690,000 in Combination Contract Revenue and Special Assessment Utility System Bonds and \$3,145,000 in Combination Contract Revenue and Special Assessment Road System Bonds. The District will have primary responsibility as Project Manager and shall perform its duties in accordance with the agreements dated May 19, 2014. The District is responsible for designating the consulting engineer on the project and will approve the projects along with Lewisville. The term of the contract is 40 years.

The District 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. The District 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-C 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 7 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 7 and Lewisville, District 1-C agreed to pay Lewisville the amount necessary to repay the debt service requirements and costs of the PID 7 Bonds as they mature. District 1-C committed each year to levy, assess and collect a tax on all taxable property within District 1-C, unlimited by rate or amount, sufficient to service up to ninety-nine percent (99%) of the debt and other costs incidental to the PID 7 Bonds.

The additional one percent (1%) of the debt and other costs included in the PID 7 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 7 Bonds on the following February 1, after

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

application of the available reserves from proceeds of the PID 7 Bonds and will calculate an assessment on all assessable property within the PID 7, which if 95% of such assessments are collected, would be sufficient to make the entire annual payment to Lewisville.

During the current fiscal year, District 1-C made contract tax payments of \$482,542 to the City of Lewisville in accordance with the bond covenants. The reserve fund requirement at September 30, 2017, is \$719,637 and District 1-C has fully satisfied that requirement at year end. At September 30, 2017, the City of Lewisville is holding \$798,305 in trust for District 1-C, including reserve funds. The amounts held in trust in excess of the reserve requirement are available to cover debt service required of PID 7.

The following are the amortization schedules on the existing outstanding debt the District No. 1-C's contract tax is expected to amortize.

PID 7 SERIES - 2014 UTILITY				
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2018	\$ 45,000	\$ 80,000	\$	125,000
2019	50,000	77,187		127,187
2020	50,000	74,063		124,063
2021	55,000	70,937		125,937
2022	55,000	67,500		122,500
2023	60,000	64,063		124,063
2024	65,000	60,313		125,313
2025	70,000	56,250		126,250
2026	70,000	51,875		121,875
2027	75,000	47,500		122,500
2028	80,000	42,813		122,813
2029	85,000	37,812		122,812
2030	90,000	32,500		122,500
2031	100,000	26,875		126,875
2032	105,000	20,624		125,624
2033	110,000	14,062		124,062
2034	115,000	7,188		122,188
	\$ 1,280,000	\$ 831,562	\$	2,111,562

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACTS (Continued)**

PID 7				
SERIES - 2014 ROAD				
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2018	\$ 45,000	\$ 82,500	\$	127,500
2019	50,000	79,688		129,688
2020	50,000	76,562		126,562
2021	55,000	73,438		128,438
2022	60,000	70,000		130,000
2023	60,000	66,250		126,250
2024	65,000	62,500		127,500
2025	70,000	58,438		128,438
2026	75,000	54,062		129,062
2027	80,000	49,375		129,375
2028	85,000	44,375		129,375
2029	90,000	39,062		129,062
2030	95,000	33,438		128,438
2031	100,000	27,500		127,500
2032	105,000	21,250		126,250
2033	115,000	14,688		129,688
2034	120,000	7,500		127,500
	\$ 1,320,000	\$ 860,626	\$	2,180,626

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

PID 7  
 SERIES - 2016 UTILITY

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2018	\$ 55,000	\$ 92,950	\$ 147,950
2019	55,000	89,925	144,925
2020	60,000	86,900	146,900
2021	60,000	83,600	143,600
2022	65,000	80,300	145,300
2023	70,000	76,725	146,725
2024	75,000	72,875	147,875
2025	75,000	68,750	143,750
2026	80,000	64,625	144,625
2027	85,000	60,225	145,225
2028	90,000	55,550	145,550
2029	95,000	50,600	145,600
2030	100,000	45,375	145,375
2031	105,000	39,875	144,875
2032	110,000	34,100	144,100
2033	115,000	28,050	143,050
2034	125,000	21,725	146,725
2035	130,000	14,850	144,850
2036	140,000	7,700	147,700
	<u>\$ 1,690,000</u>	<u>\$ 1,074,700</u>	<u>\$ 2,764,700</u>

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

PID 7 SERIES - 2016 ROAD				
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2018	\$ 80,000	\$ 172,975	\$	252,975
2019	80,000	168,575		248,575
2020	90,000	164,175		254,175
2021	95,000	159,225		254,225
2022	100,000	154,000		254,000
2023	110,000	148,500		258,500
2024	110,000	142,450		252,450
2025	120,000	136,400		256,400
2026	125,000	129,800		254,800
2027	135,000	122,925		257,925
2028	140,000	115,500		255,500
2029	150,000	107,800		257,800
2030	155,000	99,550		254,550
2031	165,000	91,025		256,025
2032	175,000	81,950		256,950
2033	185,000	72,325		257,325
2034	195,000	62,150		257,150
2035	455,000	51,425		506,425
2036	480,000	26,400		506,400
	\$ 3,145,000	\$ 2,207,150	\$	5,352,150

On February 1 following the date of receipt of written notification of the Annual Assessment, District 1-C 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 District 1-C. Such election occurred on November 8, 2011, and approved the levy and collection of said tax. For the fiscal year ending September 30, 2017, District No. 1-C levied a contract tax of \$0.8359 per \$100 of assessed valuation on property within District No. 1-C, which resulted in a tax levy of \$500,183.



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 9. PROJECT MANAGEMENT AGREEMENTS**

The District and the City of Lewisville (Lewisville) executed a Project Management Agreement dated March 14, 1997, for District No. 1-B. On November 1, 1999, and July 1, 2001, the District executed additional Project Management Agreements with Denton County Fresh Water Supply Districts Nos. 1-D and 1-E, respectively. On October 1, 2006, the District entered into a Project Management Agreement with Denton County Fresh Water Supply Districts Nos. 1-F and 1-G.

The agreements provide for the District to prepare a proposed development plan titled the “Project Management Plan” (Plan). The Plan provides for the recommended time sequence in which construction and acquisition of the Facilities should be completed, including completion of the streets and highways planned for the Project, installation of water, sewer, drainage and other public utilities on the Project, and completion of off-site development. In addition, the agreements provide for the estimated cost of the facilities and recommendations for the issuance of bonds, notes and other obligations.

The District’s development duties include and are not limited to contracting for professional services, entering into construction contracts, coordinating with other municipalities, reviewing invoices for payment by Lewisville, verifying the appropriate insurance with each contractor and supervising the performance of each contract. The District further agreed to keep the Project in compliance with the applicable laws, ordinances, regulations and orders relative to the use, operation, leasing, repair, and maintenance of the Project and with all the terms of the Trust Agreements.

The cost of the project includes employees and consultants necessary for implementation of the contract, which shall be billed to Lewisville on a monthly basis and funded from proceeds of the PID Bonds. Other costs to be billed to Lewisville and paid from the PID Bonds are premiums for insurance, all taxes, assessments and special assessments and all costs of facilities. The District will take no action in connection with the development of the Projects unless such action either is in accordance with the development plans and the project budgets or is approved in writing by Lewisville.

Monthly fees under Project Management Agreements for District No. 1-B, 1-D and 1-E have ceased under the terms of the respective Project Management Agreements. The term of the agreements will terminate thirty (30) days after the issuance of completion certificates by the Engineer for the District on all Facilities unless sooner terminated or unless extended by mutual agreement of Lewisville and the District.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 10. SEWAGE TREATMENT SERVICE CONTRACT**

The District and the City of Lewisville (Lewisville) executed a Sewage Treatment Service Agreement dated August 18, 1997. The District agrees to provide for the conveyance of sewage from its facilities and residents to Lewisville's wastewater collection system and Lewisville agreed to treat the wastewater once received from the District. Lewisville agreed to charge the District the same rate for treatment of its sewage as the rate charged the City of Highland Village. Annually a cost of service study will be performed to determine the rate to be charged the District.

The District's maximum daily volume of sewage delivered to Lewisville shall be 10.5 Million Gallons per Day (MGD). If wastewater entering Lewisville's system causes Lewisville's system to exceed capacity, the District shall be liable for all penalties assessed to Lewisville regarding the overflow and spillage caused by the District.

On or before June 1 of each year the District will furnish Lewisville with the number of active residential sewer connections, the number of commercial/industrial sewer connections and the number of active educational institutions, hospitals or similar institutions served, all as of May 1. Additionally the District shall notify Lewisville of all non-residential establishments planned to be constructed. The term of the agreement is thirty (30) years from its effective date, which was 30 days after the agreement was executed.

**NOTE 11. 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. The District 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 the UTRWD.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 11. 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 .5 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 UTRWD 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. The District 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. The District 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, the District will report to the 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.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 11. 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)

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

**Wholesale Water Supply Agreement with the City of Lewisville**

On January 28, 2008, the District entered into a wholesale water supply agreement with the City of Lewisville (City). The City agrees to provide wholesale water supply to the District for the City Wholesale Service Area. Within the City Wholesale Service Area, the District 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. The District agrees, at its sole expense, to design and construct the infrastructure necessary to enable the City to connect the City system to the District's system.

The District 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's annexation by the City.

**NOTE 12. OPERATING AGREEMENT**

On July 15, 1999, the District entered in to an Amended and Restated Operating Agreement with Denton County Fresh Water Supply District No. 1-B (District No. 1-B) with an effective date of October 1, 1997, and a separate Amended and Restated Operating Agreement with Denton County Fresh Water Supply District No. 1-C (District No. 1-C) with an effective date of August

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 12. OPERATING AGREEMENT (Continued)**

13, 1997. On June 14, 2000, the District executed an Operating Agreement with Denton County Fresh Water Supply District No. 1-D (District No. 1-D). The agreement was effective November 1, 1999.

On September 18, 2001, effective October 1, 2001, the District executed an operating agreement with Denton County Fresh Water Supply District No. 1-E (District No. 1-E). The District also executed amended operating agreements with Districts 1-B, 1-C and 1-D on September 18, 2001, effective October 1, 2001. On November 15, 2007, the District executed an operating agreement with Denton County Fresh Water Supply District No. 1-F (District No. 1-F). On February 19, 2008, effective March 1, 2008, the District executed amended operating agreements with District Nos. 1-B, 1-C, 1-D, 1-E and 1-F. On March 18, 2008, the District executed an operating agreement with Denton County Fresh Water Supply District No. 1-G (District No. 1-G). On September 16, 2008, the District executed an operating agreement with Denton County Fresh Water Supply District No. 1-H (District No. 1-H). On September 16, 2008, effective October 1, 2008, the District executed amended and restated operating agreements with District Nos. 1-B, 1-C, 1-D, 1-E, 1-F, 1-G and 1-H. The termination on all agreements is the fortieth (40th) anniversary date of the agreements.

The District is responsible for operating, maintaining, and managing the Facilities, as defined in the joint utility contract, 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 (Participating Districts).

The District is responsible for preparing and submitting to the Participating Districts 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 costs based on customer usage, if the total actual costs do not exceed the FOMB by more than 12% the Participating Districts' revision requests are only advisory. If the reverse is true, the new budget will not take effect until approved by the Board of Directors of the Participating Districts. The District 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.

The District agreed to handle all aspects of operating the Participating Districts 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. The District will employ personnel as required.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 12. OPERATING AGREEMENT (Continued)**

The respective districts being operated by the District agreed to institute a rate order containing, water, sewer, solid waste collection, building permits and inspection fees in an amount sufficient to cover expenses. The District 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 Participating Districts agreed to fund a pro-rata portion of overhead cost incurred by the District from proceeds of the water, sewer and solid waste collection revenues.

The District agreed to provide construction and contract management services for the districts and has agreed to maintain and operate the roads and bridges. The Participating Districts have agreed to fund the cost of such services as required.

On August 17, 2005, the District approved the Amended and Restated Operating Agreement with District Nos. 1-B, 1-C, 1-D and 1-E. These new agreements became effective October 1, 2005. In accordance with these agreements, the cost of maintenance of the facilities within the 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 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 Participating Districts approved the Amended and Restated Operating Agreement. This agreement was effective on October 1, 2008. All other provisions remained the same, with the exception of the allocation of the maintenance costs. In accordance with the agreement, costs of the maintenance of the facilities within the districts of the Castle Hills Subdivision shall be allocated to each district on the basis of projected property values. Projected property values are defined as the combined total value of all property that exists on January 1 of the current fiscal year plus that which is projected to be added during the next succeeding fiscal year for the districts.

Each district's cost will be calculated based upon a fraction, the numerator of which shall be 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.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT**

In June, 2009, the District, District No. 1-B, District No. 1-C, District No. 1-D, District No. 1-E, District No. 1-F, District No. 1-G, and District No. 1-H, approved a Strategic Partnership Agreement (SPA) with the City of Lewisville. The Agreement allowed the City of Lewisville to annex certain properties for the limited purpose of imposing a sales and use tax on certain properties within each District. The sales and use tax collected will be used first to cover the cost of the City of Lewisville providing public safety services to the Districts. If, after all public safety costs are covered, there are surplus funds, then those funds are split 50%/50% between the City of Lewisville and District No. 1-A. Upon receipt of surplus funds, District No. 1-A will allocate those funds to the District(s) that generated the sales and use tax. The Agreement specifies that a District that receives funds from the SPA must first use those funds to repay any outstanding developer debt. If no outstanding developer debt exists, the funds can be used for any lawful purpose. The Agreement will expire June, 2019 unless the City of Lewisville either; 1) renews the agreement, or 2) fully annexes the District. On March 20, 2017, the SPA was amended to include additional land.

**NOTE 14. UNREIMBURSED DEVELOPER COST**

On November 1, 1996, the District ratified participation in an Agreement for Construction and Purchase of Facilities and Reimbursements for Cost dated April 24, 1995, with Bright Farm Partnership (the Developer) to provide the advancement of monies to facilitate the operations of the District.

In 2008, the District 1-A contracted with a consultant to complete a Report on Applying Agreed-Upon Procedures to Construction, Engineering and Related Costs Reimbursable to Bright Farm Partnership, Castle Hills Property Company, and Bright Realty, LTD. (collectively the Developer).

In May, 2009, the report was presented to the Board of Directors of the District that indicated that a combined amount of \$1,278,717 was due to the District from District No. 1-B, District No. 1-C, District No. 1-D, District No. 1-E, District No. 1-F, District No. 1-G and District No. 1-H. The following table outlines the activity in the amounts by District for the year ended September 30, 2017:

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 14. UNREIMBURSED DEVELOPER COST (Continued)**

District	Beginning Balance Due to 1-A	Additions	Repayments	Ending Balance Due to 1-A
District 1-C	\$ 3,365	\$	\$	\$ 3,365
District 1-D	583,602			583,602
District 1-E	143,180			143,180
District 1-F	150,108			150,108
District 1-G	92,913			92,913
District 1-H	305,549			305,549
Total	<u>\$ 1,278,717</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,278,717</u>

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-C, District No. 1-D, District No. 1-E, District No. 1-F, District No. 1-G, and District No. 1-H (collectively the Districts). For advances made by Bright Entities on or before November 20, 2006, the Districts will reimburse the relevant Bright Entity for 100% of such advances. For advances made by a Bright Entity after November 20, 2006, the Districts will transfer reimbursement funds to the District. The District 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 the District will be considered as a full complete release of that particular district's obligation pursuant to existing developer reimbursement agreements.

In addition to the \$1,278,717 shown above, the District has recorded \$9,666,634 as an additional receivable from the other governmental units in accordance with this agreement in the Statement of Net Position. The following table outlines the activity in the balances due to the District from the other districts for the year ended September 30, 2017.

District	Beginning Balance Due to 1-A	Additions	Repayments	Ending Balance Due to 1-A
District 1-C	\$ 7,421,340	\$ 48,424	\$ 4,010,001	\$ 3,459,763
District 1-D	1,632,356		20,127	1,612,229
District 1-E	321,647		25,591	296,056
District 1-F	465,623	1,408,427		1,874,050
District 1-G	1,269,816	20,571	473,694	816,693
District 1-H	4,980,038	861,637	4,233,832	1,607,843
Total	<u>\$ 16,090,820</u>	<u>\$ 2,339,059</u>	<u>\$ 8,763,245</u>	<u>\$ 9,666,634</u>



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 14. UNREIMBURSED DEVELOPER COST (Continued)**

The following table outlines the activity in the balances due by the District to the Developer for the year ended September 30, 2017.

	Beginning Balance	Additions	Repayments	Ending Balance
Due to Developer	\$ 17,530,307	\$ 2,339,059	\$ 8,763,245	\$ 11,106,121

**NOTE 15. RISK MANAGEMENT**

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

**NOTE 16. EXCESS CAPACITY PURCHASE AGREEMENT**

On August 31, 1999, the District executed an agreement with Denton County Fresh Water Supply District No. 1-B (District No. 1-B). In accordance with the agreement, District No. 1-B agreed to sell excess capacity it has either purchased or constructed to the District. The capacity sold included drainage capacity constructed for the drainage basins, offsite water facilities, offsite sewer facilities, metering man holes and major water lines, thoroughfares and entrances and certain bridge and structural road facilities.

The District agreed to pay District No. 1-B \$4,100,000 for the excess capacity. On November 19, 1999, the District received \$1,875,158 from Denton County Fresh Water Supply District No. 1-D for a portion of the excess capacity purchased from District No. 1-B and \$75,006 from District No. 1-C. These amounts were forwarded to District No. 1-B in satisfaction of a portion of the amount due District No. 1-B. In addition, during the September 30, 2000, fiscal year, the Developer advanced \$1,211,415 to the District which was also paid to District No. 1-B in partial satisfaction of the amount due District No. 1-B. District No. 1-B subsequently repaid this amount to the Developer. In the September 30, 2001, fiscal year, the District received \$2,147,684 from PID 3 on behalf of District No. 1-E. The District continues to own \$2,152 in capacity previously constructed by PID No. 1 within the boundaries of District No. 1-B.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 17. PENSION PLAN**

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 735 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Benefits Provided

The plan provisions are adopted by the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the District.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

At December 31, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled but not yet receiving benefits	31
Active employees	29

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 17. PENSION PLAN (Continued)**

Contributions

The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 6.42% for the months of the 2017 accounting year and a rate of 6.72% for the months of the 2016 accounting year. The deposit rate payable by the employee members for calendar years 2016 and 2017 is 7.00% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

For the District's accounting year ended September 30, 2017, the annual pension cost for the TCDRS plan for its employees was \$102,640; the actual contributions were \$102,640. The employees contributed \$109,824 to the plan for the 2017 fiscal year.

Actuarial Assumptions

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumption:

Actuarial valuation date	12/31/16
Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining Amortization period	0.0 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment return <sup>1</sup>	8.00%
Projected salary increases <sup>1</sup>	4.90%
Inflation	3.00%
Cost-of-living adjustments	0.00%

<sup>1</sup> Includes inflation at the stated rate

The actuarial assumptions that determined the total pension liability as of December 31, 2016 were based on the results of an actuarial experience study for the period January 1, 2009 - December 31, 2012. Updated mortality assumptions were adopted in 2015. All other assumptions and methods are the same as used in the prior valuation.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 17. PENSION PLAN (Continued)**

Actuarial Assumptions (Continued)

Mortality rates were based on the following:

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

Service retirees, beneficiaries and non-depositing members - The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.

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

Discount Rate

The discount rate used to measure the total pension liability was 8.1%. There was no change in the discount rate since the previous year.

In order to determine the discount rate to be used, the actuary used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act:

- 1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
- 2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
- 3) The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
- 4) Any increased cost due to the adoption of a cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 17. PENSION PLAN (Continued)**

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, the actuary has used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2017 information for a 7 – 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is based on a 30-year time horizon; the most recent analysis was performed in 2013 based on the period January 1, 2009- December 31, 2012. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	13.50%	4.70%
Private Equity	16.00%	7.70%
Global Equities	1.50%	5.00%
International Equities-Development	10.00%	4.70%
International Equities-Emerging	7.00%	5.70%
Investment-Grade Bonds	3.00%	0.60%
High-Yield Bonds	3.00%	3.70%
Opportunistic Credit	2.00%	3.83%
Direct Lending	10.00%	8.15%
Distressed Debt	3.00%	6.70%
REIT Equities	2.00%	3.85%
Master Limited Partnerships (MLPs)	3.00%	5.60%
Private Real Estate partnerships	6.00%	7.20%
Hedge Funds	20.00%	3.85%

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 17. PENSION PLAN (Continued)**

Changes in Net Pension Liability/(Asset) for the measurement year ended December 31, 2016 are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Position Liability/(Asset) (a)-(b)
Balances of December 31, 2015	\$ 1,193,967	\$ 1,466,170	\$ (272,203)
Changes for the year:			
Service cost	240,593		240,593
Interest on total pension liability	103,592		103,592
Effect of economic/demographic (gains) or losses	(126,249)		(126,249)
Refund Contributions	(49,748)	(49,748)	
Benefit Payments	(17,578)	(17,578)	
Administrative expenses		(1,191)	1,191
Member Contributions		106,777	(106,777)
Net Investment income		109,696	(109,696)
Employer contributions		102,353	(102,353)
Other		18,596	(18,596)
Balances of December 31, 2016	<u>\$ 1,344,577</u>	<u>\$ 1,735,075</u>	<u>\$ (390,498)</u>

Sensitivity Analysis - The following presents the net pension liability/(asset) of the District, calculated using the discount rate of 8.10%, as well as what the District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Total pension Liability	\$ 1,554,742	\$ 1,344,577	\$ 1,177,870
Fiduciary net position	<u>1,735,075</u>	<u>1,735,075</u>	<u>1,735,075</u>
Net pension liability/(asset)	<u>\$ (180,333)</u>	<u>\$ (390,498)</u>	<u>\$ (557,205)</u>

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 17. PENSION PLAN (Continued)**

As of September 30, 2017, the deferred inflows and outflows of resources are as follows:

	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$ 187,615	\$ -0-
Changes in assumptions	-0-	5,870
Net difference between projected and actual earnings	-0-	110,836
Contributions paid to TCDRS subsequent to the measurement date	-0-	75,242
Total	187,615	191,948

\$75,242 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2016	\$ (14,545)
2017	(14,545)
2018	(19,648)
2019	(22,172)
2020	-0-
Thereafter	-0-

**NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

The District participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees.

The GTLF is a separate trust administered by the TCDRS board of trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at [www.tcdrs.org](http://www.tcdrs.org). TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System; P.O. Box 2034, Austin, TX 78768-2034, or by calling 800~823-7782.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

*Funding Policy:* Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The District's contribution to the GTLF for the year ending September 30, 2017, 2016, and 2015, were \$3,618, \$3,233, and \$2,024, respectively, which equaled the contractually required contribution.

**NOTE 19. OFFICE SPACE LEASE AGREEMENT**

On September 5, 2008, the District executed an operating lease for office space. On September 23, 2013, the District executed the First Amendment to the Office Lease. The lease is extended for 60 months. In the current year, the expense for this lease totaled \$187,514. These lease payments are split between all Participating Districts in accordance with each individual operating contract.

**NOTE 20. COMPENSATED ABSENCES**

In addition to other benefits provided, the District compensates eligible employees for vacation and compensatory time. Vacation time is accrued biweekly based upon the term of employment. This vacation time can be carried over to subsequent years with a maximum accrual of 18.75 days or 150 hours. The District accrues any overtime as compensatory time at a rate of one and one half times the approved hours worked. Compensatory time may be used or sold back to the District at the discretion of the General Manager. A maximum balance of 30 days of compensatory time may be accrued. This time can be carried over to subsequent years. At September 30, 2017, total amounts accrued for vacation and compensatory leave were \$30,038.

**NOTE 21. DEFICIT FUND BALANCE**

As of September 30, 2017, the District's General Fund had a deficit fund balance of \$316,041. The deficit is a result of using reserve funds and not billing the Participants. The District anticipates being able to alleviate this deficit by billing each Participant their share of the capital costs.



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

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2017**



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Charges for Service	\$	\$ 85,513	\$ 85,513
Penalty and Interest		771	771
Permit and Inspection Fees		6,985	6,985
Investment Revenues		476	476
Miscellaneous Revenues		10,882	10,882
<b>TOTAL REVENUES</b>	<u>\$ -0-</u>	<u>\$ 104,627</u>	<u>\$ 104,627</u>
<b>EXPENDITURES</b>			
Services Operations:			
Personnel Expenditures	\$ 2,018,989	\$ 2,003,210	\$ 15,779
Professional Fees	315,874	279,563	36,311
Contracted Services	55,500	78,703	(23,203)
Purchased Water and Wastewater Services	1,828,880	1,938,120	(109,240)
Utilities	425,000	344,490	80,510
Repairs and Maintenance	1,713,831	1,729,704	(15,873)
Other	763,131	647,553	115,578
Allocated Costs	(7,347,900)	(7,338,097)	(9,803)
Capital Outlay	154,000	219,979	(65,979)
Debt Service:			
TWDB ARRA Payment	170,000	165,000	5,000
<b>TOTAL EXPENDITURES</b>	<u>\$ 97,305</u>	<u>\$ 68,225</u>	<u>\$ 29,080</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (97,305)</u>	<u>\$ 36,402</u>	<u>\$ 133,707</u>
<b>OTHER FINANCING SOURCES(USES)</b>			
Transfers In(Out)	\$	\$ (60,500)	\$ (60,500)
Contributed to Other Governmental Units		(131,607)	(131,607)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ -0-</u>	<u>\$ (192,107)</u>	<u>\$ (192,107)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (97,305)	\$ (155,705)	\$ (58,400)
<b>FUND BALANCE - OCTOBER 1, 2016</b>	<u>(160,336)</u>	<u>(160,336)</u>	
<b>FUND BALANCE - SEPTEMBER 30, 2017</b>	<u>\$ (257,641)</u>	<u>\$ (316,041)</u>	<u>\$ (58,400)</u>

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Year Ended December 31, 2016	Year Ended December 31, 2015
	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>		
Service cost	\$ 240,593	\$ 209,345
Interest on total pension liability	103,592	92,931
Effect of plan changes		(29,919)
Effect of economic/demographic (gains) or losses	(126,249)	(110,903)
Effect of assumptions changes or inputs		9,782
Benefit payments/refunds of contributions	<u>(67,326)</u>	<u>(62,394)</u>
Net change in total pension liability	\$ 150,610	\$ 108,842
Total pension liability, beginning	<u>1,193,967</u>	<u>1,085,125</u>
Total pension liability, ending (a)	<u>\$ 1,344,577</u>	<u>\$ 1,193,967</u>
<b>Fiduciary Net Position</b>		
Employer contributions	\$ 102,353	\$ 98,398
Member contributions	106,777	102,498
Investment income net of investment expenses	109,696	(30,599)
Benefit payments/refund of contributions	(67,326)	(62,394)
Administrative expenses	(1,191)	(1,026)
Other	<u>18,596</u>	<u>(328)</u>
Net change in fiduciary net position	\$ 268,905	\$ 106,549
Fiduciary net position, beginning	<u>1,466,170</u>	<u>1,359,621</u>
Fiduciary net position, ending (b)	<u>\$ 1,735,075</u>	<u>\$ 1,466,170</u>
Net pension liability/(asset), ending = (a) – (b)	<u>\$ (390,498)</u>	<u>\$ (272,203)</u>
Fiduciary net position as a % of total pension liability	129.04%	122.80%
Pensionable covered payroll	\$ 1,525,390	\$ 1,464,258
Net pension liability/(asset) as a % of covered payroll	(25.60)%	(18.59)%

See accompanying independent auditor's report.

Year Ended  
December 31,  
2014

---

\$ 150,513  
82,003

(40,149)

(89,904)

\$ 102,459

982,666

\$ 1,085,129

\$ 122,788

95,608

74,318

(89,908)

(976)

(320)

\$ 201,510

1,158,111

\$ 1,359,621

\$ (274,469)

125.30%

\$ 1,320,329

(20.79)%

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**  
**SEPTEMBER 30, 2017**

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll <sup>(1)</sup>	Actual Contribution as a % of Covered Payroll
2008	\$ 22,043	\$ 22,043	\$ -0-	\$ 245,196	9.0%
2009	\$ 89,665	\$ 89,665	\$ -0-	\$ 997,273	9.0%
2010	\$ 86,524	\$ 92,491	\$ (5,967)	\$1,028,821	9.0%
2011	\$ 93,131	\$ 99,438	\$ (6,306)	\$1,106,075	9.0%
2012	\$ 93,513	\$ 105,086	\$ (11,574)	\$1,168,907	9.0%
2013	\$ 99,231	\$ 110,134	\$ (10,903)	\$1,225,075	9.0%
2014	\$ 104,966	\$ 122,788	\$ (17,822)	\$1,320,329	9.3%
2015	\$ 98,398	\$ 98,398	\$ -0-	\$1,464,258	6.7%
2016	\$ 102,353	\$ 102,353	\$ -0-	\$1,525,390	6.7%

<sup>(1)</sup>Payroll is calculated based on contributions as reported to TCDRS.

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**NOTE 1. NET PENSION LIABILITY - TEXAS COUNTY & DISTRICT  
 RETIREMENT SYSTEM**

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation Date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	0.0 years (based on contribution rate calculated in 12/31/16 valuation)
Asset Valuation Method	5-year, smoothed market
Inflation	3.0%
Salary Increases	4.9%, average over career including inflation
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions reflected in Schedule	2015: Employer contributions reflect that the current service matching rate was increased to 175% for future benefits.  2016: No changes in plan provisions.

See accompanying independent auditor's report.

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

**OTHER SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2017**



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**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A  
SCHEDULE OF REIMBURSEMENTS TO (FROM) OTHER  
GOVERNMENTAL UNITS – GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	District 1-A	District 1-B	District 1-C
<b>Reimbursement To (From) Other Governmental Units:</b>			
Personnel	\$ (2,219,665)	\$ 263,474	\$ 185,342
Contract Labor	(77,262)	9,171	6,451
Purchased Water Services	(1,419,566)	215,632	48,833
Non-Potable Water	(173,251)	26,317	5,960
Purchased Wastewater Services	(345,229)	52,440	11,876
Public Safety	(916,323)	41,326	14,111
Public Safety Revenue	916,323	(41,326)	(14,111)
Utilities	(409,672)	62,229	14,093
Landscaping Maintenance	(447,501)	67,975	15,394
Repair and Maintenance	(998,173)	151,623	34,337
Office Rental	(222,975)	26,467	18,618
Supplies	(121,395)	14,410	10,136
Insurance - Personnel	(304,703)	36,168	25,443
Capital Outlay	(364,390)	55,351	12,535
ARRA Payment	(165,003)	25,064	5,676
Other Operating Expenditures	(69,312)	8,135	5,920
<b>Total Reimbursements To (From) Other Governmental Units:</b>	<u>\$ (7,338,097)</u>	<u>\$ 1,014,456</u>	<u>\$ 400,614</u>

See accompanying independent auditor's report.

District 1-D	District 1-E	District 1-F	District 1-G	District 1-H
\$ 448,372	\$ 331,174	\$ 530,056	\$ 341,385	\$ 119,862
15,607	11,528	18,450	11,883	4,172
342,541	224,433	350,491	161,405	76,231
41,805	27,391	42,775	19,699	9,304
83,304	54,581	85,237	39,252	18,539
88,883	9,163	559,141	203,699	-0-
(88,883)	(9,163)	(559,141)	(203,699)	-0-
98,854	64,769	101,148	46,580	21,999
107,982	70,750	110,488	50,881	24,031
240,859	157,811	246,449	113,492	53,602
45,041	33,268	53,246	34,294	12,041
24,522	18,112	28,989	18,671	6,555
61,550	45,462	72,763	46,863	16,454
87,927	57,610	89,968	41,431	19,568
39,815	26,087	40,739	18,761	8,861
13,899	10,341	16,547	10,746	3,724
<u>\$ 1,652,078</u>	<u>\$ 1,133,317</u>	<u>\$ 1,787,346</u>	<u>\$ 955,343</u>	<u>\$ 394,943</u>

See accompanying independent auditor's report.

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**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**  
**SEPTEMBER 30, 2017**





**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

<u>  X  </u>	Retail Water	_____	Wholesale Water	<u>  X  </u>	Drainage
<u>  X  </u>	Retail Wastewater	_____	Wholesale Wastewater	_____	Irrigation
<u>  X  </u>	Parks/Recreation	<u>  X  </u>	Fire Protection	_____	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)				
_____	Other (specify): _____				

**2. RETAIL SERVICE PROVIDERS**

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

Based on the rate order effective November 17, 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	2,001 to 15,000
				\$ 4.24	15,001 to 25,000
				\$ 5.06	25,001 to 35,000
				\$ 6.06	35,001 to 45,000
				\$ 7.06	45,001 to 55,000
				\$ 8.06	55,001 and up
WASTEWATER:	\$ 15.39		N	\$ 5.60	0,001 and up
SURCHARGE:					
Solid Waste/ Garbage	\$ 15.43		Y		
	per month				
	plus sales tax				
Commission	0.5% of				
Regulatory	actual water				
Assessments	and sewer bill				

District employs winter averaging for wastewater usage? 

<u>  X  </u>	_____
Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$64.67 Wastewater: \$71.39 Surcharge: \$17.27

See accompanying independent auditor’s report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**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"			X 1.0	
1"	<u>1</u>	<u>1</u>	X 2.5	<u>3</u>
1½"			X 5.0	
2"	<u>1</u>		x 8.0	
3"	<u>15</u>	<u>8</u>	x 15.0	<u>120</u>
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>17</u>	<u>9</u>		<u>123</u>
Total Wastewater Connections	<u>-0-</u>	<u>-0-</u>	x 1.0	<u>-0-</u>

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

Water Accountability Ratio: 82.4%  
(Gallons billed and sold/Gallons pumped and purchased)

Gallons billed to customers:	69,481,000	
Gallons purchased:	84,364,000	From: Water Suppliers

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**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-A**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

PERSONNEL EXPENDITURES (Including Benefits)	<u>\$ 2,003,210</u>
PROFESSIONAL FEES:	
Auditing	\$ 46,400
Engineering	137,594
Legal	<u>95,569</u>
TOTAL PROFESSIONAL FEES	<u>\$ 279,563</u>
PURCHASED WATER AND WASTEWATER SERVICES:	
Purchased Water Services	\$ 1,360,035
Purchased Wastewater Services	428,085
Purchased Non-Potable Water	<u>150,000</u>
TOTAL PURCHASED WATER AND WASTEWATER SERVICES	<u>\$ 1,938,120</u>
CONTRACTED SERVICES:	
Contract Labor	\$ 77,263
Tax Collector	<u>1,440</u>
TOTAL CONTRACTED SERVICES	<u>\$ 78,703</u>
TOTAL UTILITIES	<u>\$ 344,490</u>
REPAIRS AND MAINTENANCE	<u>\$ 1,729,704</u>
ADMINISTRATIVE EXPENDITURES:	
Advertisement	\$ 425
Director Fees	6,450
Dues	7,544
Insurance	87,344
Lease Payments	6,772
Office Supplies and Postage	59,825
Payroll Taxes	494
Travel and Meetings	8,609
Other	<u>24,818</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 202,281</u>

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

CAPITAL OUTLAY:	
Capitalized Assets	\$ 219,979
Expenditures Not Capitalized	<u>                    </u>
TOTAL CAPITAL OUTLAY	<u>\$ 219,979</u>
TAP CONNECTIONS	<u>\$ 146,824</u>
OTHER EXPENDITURES:	
Rental - Equipment	\$ 28,689
Rental - Office	187,514
Supplies - Gas and Fuel	35,874
Supplies - Small Tools	14,212
Supplies - Uniforms	13,186
Training and Education	18,314
Other	<u>659</u>
TOTAL OTHER EXPENDITURES	<u>\$ 298,448</u>
ALLOCATED COST - REIMBURSEMENT FROM OTHER GOVERNMENTAL UNITS	<u>\$ (7,338,097)</u>
DEBT SERVICE:	
TWDB ARRA Payment	<u>\$ 165,000</u>
TOTAL EXPENDITURES	<u>\$ 68,225</u>

(Note: Personnel costs are allocated to the participating districts in the Castle Hills Development.)

Number of persons employed by the District    28 Full-Time    1 Part-Time

See accompanying independent auditor's report.

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

	Amounts		
	2017	2016	2015
<b>REVENUES</b>			
Project Management Fee	\$	\$ 570,811	\$ 493,180
Charges for Services	85,513	84,156	3,219
Penalty and Interest	771	2,643	253
Permit and Inspection Fees	6,985	4,261	
Investment Revenues	476	1,905	19,636
Miscellaneous Revenues	10,882	29,031	9,291
<b>TOTAL REVENUES</b>	<b>\$ 104,627</b>	<b>\$ 692,807</b>	<b>\$ 525,579</b>
<b>EXPENDITURES</b>			
Personnel Expenditures	\$ 2,003,210	\$ 1,895,456	\$ 1,777,931
Professional Fees	279,563	326,306	508,403
Contracted Services	78,703	50,160	54,919
Purchased Water and Wastewater Services	1,938,120	1,879,415	2,028,055
Utilities	344,490	370,856	336,594
Repairs and Maintenance	1,729,704	1,162,623	1,130,662
Other	647,553	628,017	692,316
Allocated Costs	(7,338,097)	(6,051,248)	(6,006,682)
Capital Outlay	219,979	332,357	382,001
Debt Service:			
Capital Lease			
TWDB ARRA Payment	165,000	165,000	165,000
<b>TOTAL EXPENDITURES</b>	<b>\$ 68,225</b>	<b>\$ 758,942</b>	<b>\$ 1,069,199</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 36,402</b>	<b>\$ (66,135)</b>	<b>\$ (543,620)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In(Out)	\$ (60,500)	\$	\$ 473
Contributed from Other Governmental Units	(131,607)		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (192,107)</b>	<b>\$ - 0 -</b>	<b>\$ 473</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (155,705)</b>	<b>\$ (66,135)</b>	<b>\$ (543,147)</b>
<b>PRIOR PERIOD ADJUSTMENT</b>			
<b>BEGINNING FUND BALANCE</b>	<b>(160,336)</b>	<b>(94,201)</b>	<b>448,946</b>
<b>ENDING FUND BALANCE</b>	<b>\$ (316,041)</b>	<b>\$ (160,336)</b>	<b>\$ (94,201)</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>9</b>	<b>102</b>	<b>16</b>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2014	2013	2017	2016	2015	2014	2013
\$ 599,746	\$ 448,900		82.4 %	93.9 %	82.8 %	75.6 %
61,932	42,986	81.7	12.1	0.6	8.5	7.2
1,435	502	0.7	0.4		0.2	0.1
1,950	352	6.7	0.6		0.3	0.1
26,692	20,872	0.5	0.3	3.7	3.7	3.5
32,710	80,207	10.4	4.2	1.8	4.5	13.5
<u>\$ 724,465</u>	<u>\$ 593,819</u>	<u>100.0</u> %	<u>100.0</u> %	<u>100.0</u> %	<u>100.0</u> %	<u>100.0</u> %
\$ 1,639,504	\$ 1,518,223	1,914.6 %	273.6 %	338.3 %	226.3 %	255.7 %
349,028	244,378	267.2	47.1	96.7	48.2	41.2
77,073	49,250	75.2	7.2	10.4	10.6	8.3
1,758,258	1,749,650	1,852.4	271.3	385.9	242.7	294.6
346,220	317,643	329.3	53.5	64.0	47.8	53.5
952,849	804,387	1,653.2	167.8	215.1	131.5	135.5
617,118	584,009	618.9	90.6	131.7	85.2	98.3
(5,268,119)	(5,532,654)	(7,013.6)	(873.4)	(1,142.9)	(727.2)	(931.7)
40,274	545,408	210.3	48.0	72.7	5.6	91.8
3,401	20,015				0.5	3.4
165,000	165,000	157.7	23.8	31.4	22.8	27.8
<u>\$ 680,606</u>	<u>\$ 465,309</u>	<u>65.2</u> %	<u>109.5</u> %	<u>203.3</u> %	<u>94.0</u> %	<u>78.4</u> %
<u>\$ 43,859</u>	<u>\$ 128,510</u>	<u>34.8</u> %	<u>(9.5)</u> %	<u>(103.3)</u> %	<u>6.0</u> %	<u>21.6</u> %
\$ (604,276)	\$ (106,007)					
	180,000					
<u>\$ (604,276)</u>	<u>\$ 73,993</u>					
\$ (560,417)	\$ 202,503					
(298,809)	63,171					
1,308,172	1,042,498					
<u>\$ 448,946</u>	<u>\$ 1,308,172</u>					
<u>1</u>	<u>N/A</u>					
<u>N/A</u>	<u>N/A</u>					

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**SEPTEMBER 30, 2017**

District Mailing Address - Denton County Fresh Water Supply District No. 1-A  
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 <u>September 30, 2017</u>	Expense Reimbursements for the year ended <u>September 30, 2017</u>	<u>Title</u>
Gaylord S. O'Con	05/16 05/20 (Elected)	\$ 1,050	\$ 156	President
John Phillip Brosseau	05/16 05/20 (Elected)	\$ 1,500	\$ -0-	Vice President
Scott Beard	05/14 05/18 (Elected)	\$ 1,500	\$ 117	Secretary
Kevin Egan	05/14 05/18 (Elected)	\$ 1,500	\$ 118	Treasurer/ Assistant Secretary
Jack Carlile	05/14 05/18 (Elected)	\$ 900	\$ 71	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): April 7, 2017.

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

See accompanying independent auditor's report.



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**SEPTEMBER 30, 2017**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2017</u>	<u>Title</u>
Winstead PC	07/28/11	\$ 64,836	Attorney
Hurt & Berry, LLP	05/03/10	\$ -0-	Attorney
McCall Gibson Swedlund Barfoot PLLC	09/17/13	\$ 46,400	Auditor
IDS/Pate Engineers, Inc.	11/16/09	\$ -0-	Engineer
Land Design, Inc	01/15/13	\$ 87,686	Engineer
Robert Flint	03/30/09	\$ -0-	Investment Officer
Denton County Tax Collector	Legislative Action	\$ 9	Tax Assessor/ Collector

See accompanying independent auditor's report.

