

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2018

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2018

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1-2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3-7 |
| BASIC FINANCIAL STATEMENTS | |
| STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET | 8-11 |
| RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION | 12 |
| STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES | 13-14 |
| RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES | 15 |
| NOTES TO THE FINANCIAL STATEMENTS | 16-74 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND | 76 |
| SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS | 77-78 |
| SCHEDULE OF DISTRICT CONTRIBUTIONS | 79 |
| NOTES TO REQUIRED SUPPLEMENTARY INFORMATION | 80 |
| OTHER SUPPLEMENTARY INFORMATION | |
| SCHEDULE OF REIMBURSEMENTS TO (FROM) OTHER GOVERNMENTAL UNITS – GENERAL FUND | 82-83 |
| SUPPLEMENTARY INFORMATION - REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE | |
| NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements) | |
| SERVICES AND RATES | 85-87 |
| GENERAL FUND EXPENDITURES | 88-89 |
| COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND - FIVE YEARS | 90-91 |
| BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS | 92-93 |

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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, 2018, 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, 2018, 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 22, 2019

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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, 2018. 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, 2018**

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 \$2,521,815 as of September 30, 2018.

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, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

| | Summary of Changes in the Statement of Net Position | | |
|---|---|---------------|----------------------------------|
| | 2018 | 2017 | Change Positive (Negative) |
| Current and Other Assets | \$ 12,047,329 | \$ 15,183,668 | \$ (3,136,339) |
| Capital Assets (Net of Accumulated Depreciation) | 4,344,889 | 4,411,475 | (66,586) |
| Total Assets | \$ 16,392,218 | \$ 19,595,143 | \$ (3,202,925) |
| Deferred Outflows of Resources | \$ 94,246 | \$ 191,948 | \$ (97,702) |
| Due to Developer | \$ 6,522,371 | \$ 10,327,123 | \$ 3,804,752 |
| Noncurrent Liabilities | 1,940,000 | 1,858,854 | (81,146) |
| Other Liabilities | 5,353,420 | 4,532,055 | (821,365) |
| Total Liabilities | \$ 13,815,791 | \$ 16,718,032 | \$ 2,902,241 |
| Deferred Inflows of Resources | \$ 148,858 | \$ 187,615 | \$ 38,757 |
| Net Position: | | | |
| Net Investment in Capital Assets | \$ 2,239,889 | \$ 2,141,475 | \$ 98,414 |
| Restricted | 353,314 | 605,841 | (252,527) |
| Unrestricted | (71,388) | 134,128 | (205,516) |
| Total Net Position | \$ 2,521,815 | \$ 2,881,444 | \$ (359,629) |

*

The following table provides a summary of the District's operations for the years ended September 30, 2018, and September 30, 2017.

| | Summary of Changes in the Statement of Activities | | |
|---------------------------------|---|--------------|----------------------------------|
| | 2018 | 2017 | Change Positive (Negative) |
| Revenues: | | | |
| Project Management Fee | \$ 356,149 | \$ 449,305 | \$ (93,156) |
| Contracted Services | 17,515 | 7,756 | 9,759 |
| Charges for Services | 68,584 | 85,513 | (16,929) |
| Other Revenue | 128,207 | 160,008 | (31,801) |
| Total Revenues | \$ 570,455 | \$ 702,582 | \$ (132,127) |
| Expenses for Services | 930,084 | 169,790 | (760,294) |
| Change in Net Position | \$ (359,629) | \$ 532,792 | \$ (892,421) |
| Net Position, Beginning of Year | 2,881,444 | 2,348,652 | 532,792 |
| Net Position, End of Year | \$ 2,521,815 | \$ 2,881,444 | \$ (359,629) |

*

* As Adjusted, Note 22

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2018, were \$37,144, a decrease of \$498,802 from the prior year.

The General Fund fund balance decreased by \$246,275, primarily due to the contributions to other districts for the allocation of costs.

The Capital Projects Fund fund balance decreased by \$252,527, primarily due to PID contributions to other districts.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$214,306 more than budgeted revenues. Actual expenditures were \$206,410 more than budgeted.

CAPITAL ASSETS

The District's capital assets as of September 30, 2018, amount to \$4,344,889 (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 | | | |
|---|--------------|--------------|----------------------------------|
| | 2018 | 2017 | Change Positive (Negative) |
| Capital Assets, Net of Accumulated Depreciation: | | | |
| Lift Station | \$ 1,135,470 | \$ 1,181,798 | \$ (46,328) |
| Ground Storage Tank | 2,429,661 | 2,502,634 | (72,973) |
| Equipment | 197,837 | 297,363 | (99,526) |
| Office Equipment | 51,207 | 11,388 | 39,819 |
| Vehicles | 170,996 | 178,594 | (7,598) |
| Water System | 345,332 | 216,100 | 129,232 |
| SCADA System | 14,386 | 23,598 | (9,212) |
| Total Net Capital Assets | \$ 4,344,889 | \$ 4,411,475 | \$ (66,586) |

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, 2018**

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, 2018

| | General Fund | Capital Projects Fund |
|---|---------------------|--------------------------|
| ASSETS | | |
| Cash | \$ 2,102,791 | \$ |
| Receivables: | | |
| Service Accounts (Net of Allowance for Doubtful Accounts of \$-0-) | 23,661 | |
| Other | 1,821 | |
| Due from Other Funds | 61,946 | 158,623 |
| Prepaid Costs | 106,732 | |
| Due from Other Government Units | 2,703,781 | 315,501 |
| Net Pension Asset | | |
| Capital Assets (Net of Accumulated Depreciation) | | |
| TOTAL ASSETS | \$ 5,000,732 | \$ 474,124 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Outflows - Pension | \$ - 0 - | \$ - 0 - |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 5,000,732 | \$ 474,124 |

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> |
|-----------------------------|-----------------------------|--------------------------------------|
| \$ 2,102,791 | \$ | \$ 2,102,791 |
| 23,661 | | 23,661 |
| 1,821 | | 1,821 |
| 220,569 | (220,569) | |
| 106,732 | | 106,732 |
| 3,019,282 | 6,302,737 | 9,322,019 |
| | 490,305 | 490,305 |
| <u> </u> | <u>4,344,889</u> | <u>4,344,889</u> |
| <u>\$ 5,474,856</u> | <u>\$ 10,917,362</u> | <u>\$ 16,392,218</u> |
| <u>\$ - 0 -</u> | <u>\$ 94,246</u> | <u>94,246</u> |
| <u><u>\$ 5,474,856</u></u> | <u><u>\$ 11,011,608</u></u> | <u><u>\$ 16,486,464</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
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2018

| | General Fund | Capital Projects Fund |
|--|---------------------|--------------------------|
| LIABILITIES | | |
| Accounts Payable | \$ 486,280 | \$ |
| Compensated Absences | | |
| Due to Other Governmental Units | 4,655,199 | |
| Due to Developer | | 58,864 |
| Due to Other Funds | 158,623 | 61,946 |
| Security Deposits | 16,800 | |
| Long-Term Liabilities: | | |
| Due Within One Year | | |
| Due After One Year | | |
| TOTAL LIABILITIES | \$ 5,316,902 | \$ 120,810 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Inflows - Pension | \$ -0- | \$ -0- |
| FUND BALANCES | | |
| Nonspendable: | | |
| Prepaid Costs | \$ 106,732 | \$ |
| Restricted for Authorized Construction | | 353,314 |
| Unassigned | (422,902) | |
| TOTAL FUND BALANCES | \$ (316,170) | \$ 353,314 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 5,000,732 | \$ 474,124 |
| NET POSITION | | |
| Net Investment in Capital Assets | | |
| Restricted for Capital Projects | | |
| Unrestricted | | |
| TOTAL NET POSITION | | |

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> |
|---------------------|---------------------|--------------------------------------|
| \$ 486,280 | \$ | \$ 486,280 |
| | 30,141 | 30,141 |
| 4,655,199 | | 4,655,199 |
| 58,864 | 6,463,507 | 6,522,371 |
| 220,569 | (220,569) | |
| 16,800 | | 16,800 |
| | 165,000 | 165,000 |
| | <u>1,940,000</u> | <u>1,940,000</u> |
| <u>\$ 5,437,712</u> | <u>\$ 8,378,079</u> | <u>\$ 13,815,791</u> |
| | | |
| <u>\$ -0-</u> | <u>\$ 148,858</u> | <u>\$ 148,858</u> |
| | | |
| \$ 106,732 | \$ (106,732) | \$ |
| 353,314 | (353,314) | |
| <u>(422,902)</u> | <u>422,902</u> | |
| <u>\$ 37,144</u> | <u>\$ (37,144)</u> | <u>\$ - 0 -</u> |
| | | |
| <u>\$ 5,474,856</u> | | |
| | \$ 2,239,889 | \$ 2,239,889 |
| | 353,314 | 353,314 |
| | <u>(71,388)</u> | <u>(71,388)</u> |
| | <u>\$ 2,521,815</u> | <u>\$ 2,521,815</u> |

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
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

| | | |
|--|----|--------|
| Total Fund Balances - Governmental Funds | \$ | 37,144 |
|--|----|--------|

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. | | 6,302,737 |
|---|--|-----------|

| | | |
|--|--|---------|
| 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. | | 435,693 |
|--|--|---------|

| | | |
|--|--|-----------|
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. | | 4,344,889 |
|--|--|-----------|

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 | \$ (30,141) | |
| Due to Developer | (6,463,507) | |
| Bonds Payable | <u>(2,105,000)</u> | <u>(8,598,648)</u> |
| Total Net Position - Governmental Activities | \$ | <u>2,521,815</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 ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

| | General Fund | Capital Projects Fund |
|--|---------------------|--------------------------|
| REVENUES | | |
| Project Management Fee | \$ | \$ |
| Charges for Service | 68,584 | |
| Penalty and Interest | 264 | |
| Permit and Inspection Fees | 17,251 | |
| Investment Revenues | 1,607 | |
| Miscellaneous Revenues | 126,600 | |
| TOTAL REVENUES | \$ 214,306 | \$ - 0 - |
| EXPENDITURES/EXPENSES | | |
| Service Operations: | | |
| Personnel Expenditures | \$ 2,060,328 | \$ |
| Professional Fees | 202,818 | |
| Contracted Services | 9,502 | |
| Purchased Water and Wastewater Services | 1,832,280 | |
| Utilities | 350,373 | |
| Repairs and Maintenance | 1,996,891 | |
| Depreciation | | |
| Other | 632,230 | |
| Allocated Costs | (7,025,915) | |
| Capital Outlay | 91,545 | |
| Loss on Disposal of Assets | | |
| Debt Service: | | |
| TWDB ARRA Payment | 165,000 | |
| TOTAL EXPENDITURES/EXPENSES | \$ 315,052 | \$ - 0 - |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES | \$ (100,746) | \$ - 0 - |
| OTHER FINANCING SOURCES (USES) | | |
| Contributed from (to) Other Governmental Units | \$ (145,529) | \$ (252,527) |
| NET CHANGE IN FUND BALANCES | \$ (246,275) | \$ (252,527) |
| CHANGE IN NET POSITION | | |
| FUND BALANCES (DEFICIT)/NET POSITION - OCTOBER 1, 2017, AS ADJUSTED | (69,895) | 605,841 |
| FUND BALANCES (DEFICIT)/NET POSITION - SEPTEMBER 30, 2018 | \$ (316,170) | \$ 353,314 |

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

| Total | Adjustments | Statement of Activities |
|----------------|------------------|----------------------------|
| \$ | \$ | \$ |
| 68,584 | 356,149 | 356,149 |
| 264 | | 68,584 |
| 17,251 | | 264 |
| 1,607 | | 17,251 |
| 126,600 | | 1,607 |
| <u>214,306</u> | <u>356,149</u> | <u>126,600</u> |
| \$ | \$ | \$ |
| 2,060,328 | (40,759) | 2,019,569 |
| 202,818 | | 202,818 |
| 9,502 | | 9,502 |
| 1,832,280 | | 1,832,280 |
| 350,373 | | 350,373 |
| 1,996,891 | (420,627) | 1,576,264 |
| | 414,661 | 414,661 |
| 632,230 | 398,056 | 1,030,286 |
| (7,025,915) | 356,149 | (6,669,766) |
| 91,545 | | 91,545 |
| | 72,552 | 72,552 |
| 165,000 | (165,000) | |
| <u>315,052</u> | <u>615,032</u> | <u>930,084</u> |
| \$ | \$ | \$ |
| (100,746) | (258,883) | (359,629) |
| \$ | \$ | \$ |
| (398,056) | 398,056 | - 0 - |
| \$ | \$ | \$ |
| (498,802) | 498,802 | |
| | (359,629) | (359,629) |
| <u>535,946</u> | <u>2,345,498</u> | <u>2,881,444</u> |
| \$ | \$ | \$ |
| <u>37,144</u> | <u>2,484,671</u> | <u>2,521,815</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, 2018**

| | |
|--|--------------|
| Net Change in Fund Balances - Governmental Funds | \$ (498,802) |
|--|--------------|

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. | (414,661) |
|--|-----------|

| | |
|---|---------|
| 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. | 420,627 |
|---|---------|

| | |
|---|----------|
| Disposal of assets decreases capital assets in the Statement of Net Position and the loss on disposal of the assets is recorded as an expense in the Statement of Activities. | (72,552) |
|---|----------|

| | |
|---|---------|
| 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 recorded in the Statement of Activities. | 40,759 |
|--|--------|

| | |
|--|---------------------|
| Change in Net Position - Governmental Activities | \$ <u>(359,629)</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, 2018

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, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

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, 2018

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 \$61,946 for expenses paid by the General Fund.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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, 2018

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, 2018

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, 2018, 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, 2018, the pooled cash bank balance consisted of \$3,432,008 in cash and \$472,721 in certificates of deposit. The book balance of the entire pooled cash account was \$3,630,915. The book balance of the District's share of pooled cash was \$1,092,345.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The District also had deposits in non-pooled cash accounts. As of September 30, 2018, the bank balance of these deposits were \$1,010,446 and the book balance was \$1,010,446.

Investments

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

As of September 30, 2018, 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, 2018

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, 2018, 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, 2018:

| | October 1, 2017 | Increases | Decreases | September 30, 2018 |
|--|---------------------|-------------------|-------------------|-----------------------|
| Capital Assets Subject to Depreciation | | | | |
| Lift Station | \$ 1,577,766 | \$ | \$ | \$ 1,577,766 |
| Ground Storage Tank | 2,930,843 | | | 2,930,843 |
| Equipment | 712,320 | 67,018 | 130,386 | 648,952 |
| Office Equipment | 130,853 | 108,520 | 71,792 | 167,581 |
| Vehicles | 529,460 | 70,311 | 108,363 | 491,408 |
| Water System | 243,333 | 174,778 | | 418,111 |
| SCADA System | 104,500 | | | 104,500 |
| Total Capital Assets Subject to Depreciation | <u>\$ 6,229,075</u> | <u>\$ 420,627</u> | <u>\$ 310,541</u> | <u>\$ 6,339,161</u> |
| Less Accumulated Depreciation | | | | |
| Lift Station | \$ 395,968 | \$ 46,328 | \$ | \$ 442,296 |
| Ground Storage Tank | 428,209 | 72,973 | | 501,182 |
| Equipment | 414,957 | 93,992 | 57,834 | 451,115 |
| Office Equipment | 119,465 | 68,701 | 71,792 | 116,374 |
| Vehicles | 350,866 | 77,909 | 108,363 | 320,412 |
| Water System | 27,233 | 45,546 | | 72,779 |
| SCADA System | 80,902 | 9,212 | | 90,114 |
| Total Accumulated Depreciation | <u>\$ 1,817,600</u> | <u>\$ 414,661</u> | <u>\$ 237,989</u> | <u>\$ 1,994,272</u> |
| Total Depreciable Capital Assets, Net of Accumulated Depreciation | <u>\$ 4,411,475</u> | <u>\$ 5,966</u> | <u>\$ 72,552</u> | <u>\$ 4,344,889</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, 2018

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, 2018. Capacity in the facilities is allocated as follows:

| | |
|------------------|----------------|
| District No. 1-B | 16.81% |
| District No. 1-C | 7.86 |
| District No. 1-D | 21.55 |
| District No. 1-E | 20.70 |
| District No. 1-F | 28.85 |
| District No. 1-G | 4.16 |
| District No. 1-H | <u>0.07</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 \$2,105,000 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, 2018. 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, 2018

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, 2018 are as follows:

| Fiscal Year | Principal | Interest | Total |
|-------------|---------------------|-----------------|---------------------|
| 2019 | \$ 165,000 | \$ | \$ 165,000 |
| 2020 | 165,000 | | 165,000 |
| 2021 | 165,000 | | 165,000 |
| 2022 | 165,000 | | 165,000 |
| 2023 | 165,000 | | 165,000 |
| 2024-2028 | 845,000 | | 845,000 |
| 2029-2031 | 435,000 | | 435,000 |
| | <u>\$ 2,105,000</u> | <u>\$ - 0 -</u> | <u>\$ 2,105,000</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, 2018

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, 2018

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

During the current fiscal year, District No. 1-B made contract tax payments of \$1,380,650 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, 2018, is \$799,000 and District No. 1-B has fully satisfied that requirement at year end. The City of Lewisville at September 30, 2018 is holding \$1,855,113 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 |
| 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 |
| | \$ 5,055,000 | \$ 1,239,170 | \$ 6,294,170 |

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 |
| 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 |
| | \$ 2,935,000 | \$ 425,500 | \$ 3,360,500 |

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, 2018, 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 \$1,582,774. 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, 2018

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, 2018

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 \$1,986,969 in accordance with the bond covenants. No assessments were collected within PID 2. The reserve fund requirement as of September 30, 2018, is \$1,781,219 and District No. 1-D has fully satisfied that requirement at year end. The City of Lewisville is holding \$2,874,507 in trust for District No. 1-D at September 30, 2018, 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 |
| 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 |
| | \$ 11,550,000 | \$ 2,075,950 | \$ 13,625,950 |

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 |
| 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 |
| | \$ 7,490,000 | \$ 2,491,396 | \$ 9,981,396 |

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, 2018, District No. 1-D levied a contract tax at the rate of \$0.4067 per \$100 of assessed valuation upon property with District No. 1-D, which resulted in a tax levy of \$2,105,971. 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, 2018

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, 2018

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 \$1,928,700 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, 2018, is \$1,891,000 and District No. 1-E has fully satisfied that requirement at year end. The City of Lewisville is holding \$2,630,808 in trust for District No. 1-E at September 30, 2018, 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, 2018

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 |
| 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 | \$ 1,694,325 | \$ 4,534,325 |

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 |
| 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 |
| | \$ 16,070,000 | \$ 3,618,776 | \$ 19,688,776 |

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, 2018, District No. 1-E levied a contract tax of \$0.5607 per \$100 of assessed valuation on property within District No. 1-E, which resulted in a tax levy of \$2,036,988. 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, 2018

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, 2018

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 \$1,607,164 to the City of Lewisville in accordance with the bond covenants. As of the fiscal year end, the reserve fund requirement is \$2,538,500. District No. 1-F has fully funded the reserve. The Reserve Fund is maintained by PID 4. As of September 30, 2018, District No. 1-F had \$3,931,681 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, 2018:

| 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 |
| 2019 | \$ 695,000 | \$ 73,406 | \$ 768,406 |
| 2020 | 740,000 | 24,975 | 764,975 |
| | \$ 1,435,000 | \$ 98,381 | \$ 1,533,381 |

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 |
| 2019 | \$ | \$ 139,913 | \$ 139,913 |
| 2020 | | 139,912 | 139,912 |
| 2021 | | 139,913 | 139,913 |
| 2022 | | 139,912 | 139,912 |
| 2023 | | 139,913 | 139,913 |
| 2024 | | 139,912 | 139,912 |
| 2025 | | 139,913 | 139,913 |
| 2026 | | 139,912 | 139,912 |
| 2027 | | 139,913 | 139,913 |
| 2028 | | 139,912 | 139,912 |
| 2029 | | 139,913 | 139,913 |
| 2030 | | 139,912 | 139,912 |
| 2031 | | 139,913 | 139,913 |
| 2032 | | 139,912 | 139,912 |
| 2033 | 180,000 | 135,187 | 315,187 |
| 2034 | 645,000 | 113,531 | 758,531 |
| 2035 | 675,000 | 78,881 | 753,881 |
| 2036 | 710,000 | 42,525 | 752,525 |
| 2037 | 455,000 | 11,944 | 466,944 |
| | \$ 2,665,000 | \$ 2,340,843 | \$ 5,005,843 |

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 |
| 2019 | \$ | \$ 253,050 | \$ 253,050 |
| 2020 | | 253,050 | 253,050 |
| 2021 | | 253,050 | 253,050 |
| 2022 | | 253,050 | 253,050 |
| 2023 | | 253,050 | 253,050 |
| 2024 | | 253,050 | 253,050 |
| 2025 | | 253,050 | 253,050 |
| 2026 | | 253,050 | 253,050 |
| 2027 | | 253,050 | 253,050 |
| 2028 | | 253,050 | 253,050 |
| 2029 | | 253,050 | 253,050 |
| 2030 | | 253,050 | 253,050 |
| 2031 | | 253,050 | 253,050 |
| 2032 | | 253,050 | 253,050 |
| 2033 | 880,000 | 229,950 | 1,109,950 |
| 2034 | 960,000 | 181,650 | 1,141,650 |
| 2035 | 1,015,000 | 129,806 | 1,144,806 |
| 2036 | 1,065,000 | 75,206 | 1,140,206 |
| 2037 | 900,000 | 23,625 | 923,625 |
| | \$ 4,820,000 | \$ 4,182,937 | \$ 9,002,937 |

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 | |
| 2019 | \$ 65,000 | \$ 118,469 | \$ | 183,469 |
| 2020 | 75,000 | 116,369 | | 191,369 |
| 2021 | 60,000 | 114,344 | | 174,344 |
| 2022 | 55,000 | 112,619 | | 167,619 |
| 2023 | 65,000 | 110,819 | | 175,819 |
| 2024 | 70,000 | 108,794 | | 178,794 |
| 2025 | 65,000 | 106,728 | | 171,728 |
| 2026 | 85,000 | 104,278 | | 189,278 |
| 2027 | 95,000 | 101,181 | | 196,181 |
| 2028 | 95,000 | 97,856 | | 192,856 |
| 2029 | 105,000 | 94,291 | | 199,291 |
| 2030 | 80,000 | 90,888 | | 170,888 |
| 2031 | 115,000 | 87,088 | | 202,088 |
| 2032 | 130,000 | 82,188 | | 212,188 |
| 2033 | 670,000 | 66,188 | | 736,188 |
| 2034 | 175,000 | 49,288 | | 224,288 |
| 2035 | 180,000 | 42,075 | | 222,075 |
| 2036 | 185,000 | 34,547 | | 219,547 |
| 2037 | 745,000 | 15,366 | | 760,366 |
| | <u>\$ 3,115,000</u> | <u>\$ 1,653,376</u> | <u>\$</u> | <u>4,768,376</u> |

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

| PID 4 SERIES - 2017 REFUNDING | | | |
|---|-------------------------------|---------------------------------------|---------------|
| Due During Fiscal Years Ending September 30 | Principal Due October 1 | Interest Due October 1/ April 1 | Total |
| 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 | \$ 3,324,614 | \$ 16,674,614 |

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, 2018, District No. 1-F levied a contract tax at the rate of \$0.3538 per \$100 of assessed valuation upon property with District No. 1-F, which resulted in a tax levy of \$2,015,080. 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, 2018

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. On December 14, 2017, the third installment of these bonds were sold in the amount of \$11,395,000 in Combination Contract Revenue and Special Assessment Utility System Bonds and \$5,905,000 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 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
SEPTEMBER 30, 2018

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 \$2,412,166 to the City of Lewisville in accordance with the bond covenants. As of fiscal year end, the reserve fund requirement is \$3,468,000. District 1-G has fully satisfied the reserve. The Reserve Fund is maintained by PID 5. At September 30, 2018, the City of Lewisville is holding \$3,699,226 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 | |
| 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 |
| | \$ 2,960,000 | \$ 1,886,625 | \$ | 4,846,625 |

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 | |
| 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 |
| | \$ 4,090,000 | \$ 2,609,425 | \$ | 6,699,425 |

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 |
| 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 |
| | \$ 10,330,000 | \$ 6,719,700 | \$ 17,049,700 |

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

| PID 5 | | | | |
|---|---------------------------------|---|-------|------------|
| SERIES - 2017 UTILITY | | | | |
| Due During Fiscal Years Ending September 30 | Principal Due September 1 | Interest Due March 1/ September 1 | Total | |
| 2023 | \$ 270,000 | \$ 672,305 | \$ | 942,305 |
| 2024 | 285,000 | 656,375 | | 941,375 |
| 2025 | 300,000 | 639,560 | | 939,560 |
| 2026 | 320,000 | 621,860 | | 941,860 |
| 2027 | 340,000 | 602,980 | | 942,980 |
| 2028 | 360,000 | 582,920 | | 942,920 |
| 2029 | 380,000 | 561,680 | | 941,680 |
| 2030 | 400,000 | 539,260 | | 939,260 |
| 2031 | 425,000 | 515,660 | | 940,660 |
| 2032 | 450,000 | 490,585 | | 940,585 |
| 2033 | 475,000 | 464,035 | | 939,035 |
| 2034 | 505,000 | 436,010 | | 941,010 |
| 2035 | 535,000 | 406,215 | | 941,215 |
| 2036 | 565,000 | 374,650 | | 939,650 |
| 2037 | 600,000 | 341,315 | | 941,315 |
| 2038 | 635,000 | 305,915 | | 940,915 |
| 2039 | 675,000 | 268,450 | | 943,450 |
| 2040 | 1,880,000 | 228,625 | | 2,108,625 |
| 2041 | 1,995,000 | 117,705 | | 2,112,705 |
| | \$ 11,395,000 | \$ 8,826,105 | \$ | 20,221,105 |

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

| PID 5 SERIES - 2017 ROADS | | | | |
|---|---------------------------------|---|-------|------------|
| Due During Fiscal Years Ending September 30 | Principal Due September 1 | Interest Due March 1/ September 1 | Total | |
| 2023 | \$ 145,000 | \$ 348,395 | \$ | 493,395 |
| 2024 | 155,000 | 339,840 | | 494,840 |
| 2025 | 165,000 | 330,695 | | 495,695 |
| 2026 | 170,000 | 320,960 | | 490,960 |
| 2027 | 180,000 | 310,930 | | 490,930 |
| 2028 | 195,000 | 300,310 | | 495,310 |
| 2029 | 205,000 | 288,805 | | 493,805 |
| 2030 | 215,000 | 276,710 | | 491,710 |
| 2031 | 230,000 | 264,025 | | 494,025 |
| 2032 | 245,000 | 250,455 | | 495,455 |
| 2033 | 255,000 | 236,000 | | 491,000 |
| 2034 | 270,000 | 220,955 | | 490,955 |
| 2035 | 290,000 | 205,025 | | 495,025 |
| 2036 | 305,000 | 187,915 | | 492,915 |
| 2037 | 325,000 | 169,920 | | 494,920 |
| 2038 | 340,000 | 150,745 | | 490,745 |
| 2039 | 360,000 | 130,685 | | 490,685 |
| 2040 | 900,000 | 109,445 | | 1,009,445 |
| 2041 | 955,000 | 56,345 | | 1,011,345 |
| | \$ 5,905,000 | \$ 4,498,160 | \$ | 10,403,160 |

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, 2018, District No. 1-G levied a contract tax of \$0.6311 per \$100 of assessed valuation on property within District No. 1-G, which resulted in a tax levy of \$1,756,159.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 second installment of these bonds were sold in the amount of \$7,690,000 in Combination Contract Revenue and Special Assessment Utility System Bonds and \$15,310,000 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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

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.

During the current fiscal year, the District 1-H made contract tax payments of \$2,259,142 to the City of Lewisville in accordance with the bond covenants. The reserve fund requirement at September 30, 2018, is \$3,027,500 and District 1-H has fully satisfied that requirement at year end. At September 30, 2018, the City of Lewisville is holding \$3,262,406 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 | |
| 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 |
| | \$ 6,545,000 | \$ 4,009,525 | \$ | 10,554,525 |

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 |
| 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 | \$ 931,775 | \$ 2,131,775 |

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

| PID 6 | | | |
|---|---------------------------------|---|---------------|
| SERIES - 2017 UTILITY | | | |
| Due During Fiscal Years Ending September 30 | Principal Due September 1 | Interest Due March 1/ September 1 | Total |
| 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 |
| | \$ 7,690,000 | \$ 6,366,300 | \$ 14,056,300 |

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

| PID 6 SERIES - 2017 ROAD | | | |
|---|---------------------------------|---|---------------|
| Due During Fiscal Years Ending September 30 | Principal Due September 1 | Interest Due March 1/ September 1 | Total |
| 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 | \$ 10,758,000 | \$ 26,068,000 |

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, 2018, District No. 1-H levied a contract tax of \$1.00 per \$100 of assessed valuation on property within District No. 1-H, which resulted in a tax levy of \$1,302,692.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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, 2018

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 \$653,425 to the City of Lewisville in accordance with the bond covenants. The reserve fund requirement at September 30, 2018, is \$705,375 and District 1-C has fully satisfied that requirement at year end. At September 30, 2018, the City of Lewisville is holding \$816,308 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 | |
| 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 |
| | \$ 1,235,000 | \$ 751,562 | \$ | 1,986,562 |

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 | |
| 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 |
| | \$ 1,275,000 | \$ 778,126 | \$ | 2,053,126 |

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 | |
| 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 |
| | \$ 1,635,000 | \$ 981,750 | \$ | 2,616,750 |

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 | |
| 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 |
| | \$ 3,065,000 | \$ 2,034,175 | \$ | 5,099,175 |

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, 2018, District No. 1-C levied a contract tax of \$0.6933 per \$100 of assessed valuation on property within District No. 1-C, which resulted in a tax levy of \$692,693.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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
SEPTEMBER 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018:

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 | | 227,631 | 355,971 |
| District 1-E | 143,180 | | | 143,180 |
| District 1-F | 150,108 | | | 150,108 |
| District 1-G | 92,913 | | 47,833 | 45,080 |
| District 1-H | 305,549 | | | 305,549 |
| Total | <u>\$ 1,278,717</u> | <u>\$ -0-</u> | <u>\$ 275,464</u> | <u>\$ 1,003,253</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 \$1,003,253 shown above, the District has recorded \$5,299,484 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, 2018.

| District | Beginning Balance Due to 1-A* | Additions | Repayments | Ending Balance Due to 1-A |
|---------------|----------------------------------|------------------|---------------------|------------------------------|
| District 1-C | \$ 3,459,763 | \$ 22,251 | \$ 132,459 | \$ 3,349,555 |
| District 1-D | 1,612,229 | | 1,612,229 | |
| District 1-E | 296,056 | | 8,956 | 287,100 |
| District 1-F* | 1,036,188 | | 713,951 | 322,237 |
| District 1-G | 816,693 | | 816,693 | |
| District 1-H | 1,607,843 | 43,116 | 310,367 | 1,340,592 |
| Total | <u>\$ 8,828,772</u> | <u>\$ 65,367</u> | <u>\$ 3,594,655</u> | <u>\$ 5,299,484</u> |

* As Adjusted, Note 22

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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, 2018.

| | Beginning Balance* | Additions | Repayments | Ending Balance |
|------------------|-----------------------|-----------|--------------|-------------------|
| Due to Developer | \$ 10,268,259 | \$ 65,367 | \$ 3,870,119 | \$ 6,463,507 |

* As Adjusted, Note 22

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, 2018

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 760 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, 2017, the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | <u>2</u> |
| Inactive employees entitled but not yet receiving benefits | <u>29</u> |
| Active employees | <u>31</u> |

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 5.76% for the months of the 2018 accounting year and a rate of 6.42% for the months of the 2017 accounting year. The deposit rate payable by the employee members for calendar years 2017 and 2018 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, 2018, the annual pension cost for the TCDRS plan for its employees was \$99,777; the actual contributions were \$99,777. The employees contributed \$113,380 to the plan for the 2018 fiscal year.

Actuarial Assumptions

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumption:

| | |
|---|--|
| Actuarial valuation date | 12/31/17 |
| 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 ¹ | 8.00% |
| Projected salary increases ¹ | 4.90% |
| Inflation | 2.75% |
| Cost-of-living adjustments | 0.00% |

¹ Includes inflation at the stated rate

The actuarial assumptions that determined the total pension liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 68. 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, 2018

NOTE 17. PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

Mortality rates were based on the following:

Depositing members – 90% of the RP-2014 Active Employee Mortality Table for males and the RP-2014 Active Employee Mortality Table for females projected with 110% of the MP-2014 ultimate scale after 2014.

Service retirees, beneficiaries and non-depositing members – 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 ultimate scale after 2014.

Disabled retirees - 130% of the RP-2014 Disability Annuitant Mortality Table for males and 115% of the RP-2014 Disability Annuitant Mortality Table for females, both projected with 110% of the MP-2014 ultimate scale after 2014.

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, 2018

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 2018 information for a 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 2017 based on the period January 1, 2013- December 31, 2016. 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 | 11.50% | 4.55% |
| Private Equity | 16.00% | 7.55% |
| Global Equities | 1.50% | 4.85% |
| International Equities-Development | 11.00% | 4.55% |
| International Equities-Emerging | 8.00% | 5.55% |
| Investment-Grade Bonds | 3.00% | 0.75% |
| High-Yield Bonds | 8.00% | 4.12% |
| Direct Lending | 10.00% | 8.06% |
| Distressed Debt | 2.00% | 6.30% |
| REIT Equities | 2.00% | 4.05% |
| Master Limited Partnerships (MLPs) | 3.00% | 6.00% |
| Private Real Estate partnerships | 6.00% | 6.25% |
| Hedge Funds | 18.00% | 4.10% |

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 17. PENSION PLAN (Continued)

Changes in Net Pension Liability/(Asset) for the measurement year ended December 31, 2017 are as follows:

| | Increase (Decrease) | | |
|---|-----------------------------------|----------------------------------|--|
| | Total Pension Liability (a) | Fiduciary Net Position (b) | Net Position Liability/(Asset) (a)-(b) |
| Balances of December 31, 2016 | \$ 1,344,577 | \$ 1,735,075 | \$ (390,498) |
| Changes for the year: | | | |
| Service cost | 226,952 | | 226,952 |
| Interest on total pension liability | 125,512 | | 125,512 |
| Effect of economic/demographic (gains) or losses | 24,420 | | 24,420 |
| Effect of Assumptions Changes or Inputs | (2,122) | | (2,122) |
| Refund Contributions | (27,290) | (27,290) | |
| Benefit Payments | (17,578) | (17,578) | |
| Administrative expenses | | (1,440) | 1,440 |
| Member Contributions | | 113,524 | (113,524) |
| Net Investment income | | 256,040 | (256,040) |
| Employer contributions | | 104,142 | (104,142) |
| Other | | 2,303 | (2,303) |
| Balances of December 31, 2017 | <u>\$ 1,674,471</u> | <u>\$ 2,164,776</u> | <u>\$ (490,305)</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 | \$ 1,937,556 | \$ 1,674,471 | \$ 1,462,597 |
| Fiduciary net position | <u>2,164,776</u> | <u>2,164,776</u> | <u>2,164,776</u> |
| Net pension liability/(asset) | <u>\$ (227,220)</u> | <u>\$ (490,305)</u> | <u>\$ (702,179)</u> |

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 17. PENSION PLAN (Continued)

As of September 30, 2018, the deferred inflows and outflows of resources are as follows:

| | Deferred Inflows of Resources | Deferred Outflows of Resources |
|--|----------------------------------|-----------------------------------|
| Differences between expected and actual experience | \$ 133,494 | \$ 19,536 |
| Changes in assumptions | 1,697 | 3,913 |
| Net difference between projected and actual earnings | 13,667 | -0- |
| Contributions paid to TCDRS subsequent to the measurement date | -0- | 70,797 |
| Total | 148,858 | 94,246 |

\$70,797 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, 2018. 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: | |
|-------------------------|-------------|
| 2018 | \$ (31,806) |
| 2019 | (36,909) |
| 2020 | (39,433) |
| 2021 | (17,261) |
| 2022 | -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. 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, 2018

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, 2018, 2017, and 2016, were \$4,328, \$3,618, and \$3,233, 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 \$198,172. 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, 2018, total amounts accrued for vacation and compensatory leave were \$30,141.

NOTE 21. DEFICIT FUND BALANCE

As of September 30, 2018, the District's General Fund had a deficit fund balance of \$316,170. 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
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 22. PRIOR PERIOD ADJUSTMENT

During the current fiscal year, it was determined that liabilities in the General Fund were overstated due to erroneous journal entries made prior to fiscal year 2017. In addition, amounts previously reimbursed to the developer had not been recorded and certain amounts were determined as not reimbursable. The effect of these adjustments are as follows:

| | |
|--|-----------------------------|
| General Fund Fund Balance - October 1, 2017 | \$ (316,041) |
| Effect of Adjustment | <u>246,146</u> |
| General Fund Fund Balance - October 1, 2017, As Adjusted | <u><u>\$ (69,895)</u></u> |
| | |
| Net Position - October 1, 2017 | \$ 2,635,298 |
| Effect of Adjustment | <u>246,146</u> |
| Net Position - October 1, 2017, As Adjusted | <u><u>\$ 2,881,444</u></u> |
| | |
| Due from Other Government Units - October 1, 2017 | \$ 10,945,351 |
| Effect of Adjustment | <u>(837,862)</u> |
| Due from Other Government Units - October 1, 2017, As Adjusted | <u><u>\$ 10,107,489</u></u> |
| | |
| Due to Developer - October 1, 2017 | \$ 11,106,121 |
| Effect of Adjustment | <u>(837,862)</u> |
| Due to Developer - October 1, 2017, As Adjusted | <u><u>\$ 10,268,259</u></u> |

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DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2018

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, 2018

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|--|------------------------------|---------------------|------------------------------------|
| REVENUES | | | |
| Charges for Service | \$ | \$ 68,584 | \$ 68,584 |
| Penalty and Interest | | 264 | 264 |
| Permit and Inspection Fees | | 17,251 | 17,251 |
| Investment Revenues | | 1,607 | 1,607 |
| Miscellaneous Revenues | | 126,600 | 126,600 |
| TOTAL REVENUES | \$ -0- | \$ 214,306 | \$ 214,306 |
| EXPENDITURES | | | |
| Services Operations: | | | |
| Personnel Expenditures | \$ 2,029,428 | \$ 2,060,328 | \$ (30,900) |
| Professional Fees | 315,874 | 202,818 | 113,056 |
| Contracted Services | 80,500 | 9,502 | 70,998 |
| Purchased Water and Wastewater Services | 1,901,850 | 1,832,280 | 69,570 |
| Utilities | 370,000 | 350,373 | 19,627 |
| Repairs and Maintenance | 1,834,200 | 1,996,891 | (162,691) |
| Other | 754,315 | 632,230 | 122,085 |
| Allocated Costs | (7,435,525) | (7,025,915) | (409,610) |
| Capital Outlay | 88,000 | 91,545 | (3,545) |
| Debt Service: | | | |
| TWDB ARRA Payment | 170,000 | 165,000 | 5,000 |
| TOTAL EXPENDITURES | \$ 108,642 | \$ 315,052 | \$ (206,410) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | \$ (108,642) | \$ (100,746) | \$ 7,896 |
| OTHER FINANCING SOURCES(USES) | | | |
| Contributed to Other Governmental Units | \$ -0- | \$ (145,529) | \$ (145,529) |
| NET CHANGE IN FUND BALANCE | \$ (108,642) | \$ (246,275) | \$ (137,633) |
| FUND BALANCE - OCTOBER 1, 2017 | (69,895) | (69,895) | |
| FUND BALANCE - SEPTEMBER 30, 2018 | \$ (178,537) | \$ (316,170) | \$ (137,633) |

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, 2018

| | Year Ended December 31, 2017 | Year Ended December 31, 2016 |
|--|------------------------------------|------------------------------------|
| Total Pension Liability | | |
| Service cost | \$ 226,952 | \$ 240,593 |
| Interest on total pension liability | 125,512 | 103,592 |
| Effect of plan changes | | |
| Effect of economic/demographic (gains) or losses | 24,420 | (126,249) |
| Effect of assumptions changes or inputs | (2,122) | |
| Benefit payments/refunds of contributions | <u>(44,868)</u> | <u>(67,326)</u> |
| Net change in total pension liability | \$ 329,894 | \$ 150,610 |
| Total pension liability, beginning | <u>1,344,577</u> | <u>1,193,967</u> |
| Total pension liability, ending (a) | <u>\$ 1,674,471</u> | <u>\$ 1,344,577</u> |
| Fiduciary Net Position | | |
| Employer contributions | \$ 104,142 | \$ 102,353 |
| Member contributions | 113,524 | 106,777 |
| Investment income net of investment expenses | 256,040 | 109,696 |
| Benefit payments/refund of contributions | (44,868) | (67,326) |
| Administrative expenses | (1,440) | (1,191) |
| Other | <u>2,303</u> | <u>18,596</u> |
| Net change in fiduciary net position | \$ 429,701 | \$ 268,905 |
| Fiduciary net position, beginning | <u>1,735,075</u> | <u>1,466,170</u> |
| Fiduciary net position, ending (b) | <u>\$ 2,164,776</u> | <u>\$ 1,735,075</u> |
| Net pension liability/(asset), ending = (a) – (b) | <u>\$ (490,305)</u> | <u>\$ (390,498)</u> |
| Fiduciary net position as a % of total pension liability | 129.28% | 129.04% |
| Pensionable covered payroll | \$ 1,621,777 | \$ 1,525,390 |
| Net pension liability/(asset) as a % of covered payroll | (30.23)% | (25.60)% |

See accompanying independent auditor's report.

| Year Ended December 31, 2015 | Year Ended December 31, 2014 |
|------------------------------------|------------------------------------|
| \$ 209,345 | \$ 150,513 |
| 92,931 | 82,003 |
| (29,919) | |
| (110,903) | (40,149) |
| 9,782 | |
| <u>(62,394)</u> | <u>(89,904)</u> |
| \$ 108,842 | \$ 102,459 |
| <u>1,085,125</u> | <u>982,666</u> |
| <u>\$ 1,193,967</u> | <u>\$ 1,085,129</u> |
| | |
| \$ 98,398 | \$ 122,788 |
| 102,498 | 95,608 |
| (30,599) | 74,318 |
| (62,394) | (89,908) |
| (1,026) | (976) |
| <u>(328)</u> | <u>(320)</u> |
| \$ 106,549 | \$ 201,510 |
| <u>1,359,621</u> | <u>1,158,111</u> |
| <u>\$ 1,466,170</u> | <u>\$ 1,359,621</u> |
| | |
| <u>\$ (272,203)</u> | <u>\$ (274,469)</u> |
| 122.80% | 125.30% |
| | |
| \$ 1,464,258 | \$ 1,320,329 |
| (18.59)% | (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, 2018

| Year Ending December 31 | Actuarially Determined Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Pensionable Covered Payroll ⁽¹⁾ | 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% |
| 2017 | \$ 104,118 | \$ 104,142 | \$ (24) | \$1,621,777 | 6.4% |

⁽¹⁾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, 2018

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 12/31/17 valuation) |
| Asset Valuation Method | 5-year, smoothed market |
| Inflation | 2.75% |
| Salary Increases | Varies by age and service. 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 | 130% of the MP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP -2014 Healthy Annuitant Mortality Table for females both projected with 110% of MP-2014 Ultimate scale after 2014. |
| Changes in Plan Provisions reflected in Schedule | 2015: No changes in plan provisions. 2016: No changes in plan provisions. 2017: New Annuity purchase rates were reflected for benefits earned after 2017. |

See accompanying independent auditor's report.

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DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A

OTHER SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2018

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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, 2018**

| | District 1-A | District 1-B | District 1-C |
|---|-----------------------|---------------------|-------------------|
| Reimbursement To (From) Other Governmental Units: | | | |
| Personnel | \$ (2,425,978) | \$ 347,400 | \$ 180,978 |
| Purchased Water Services | (193,715) | 27,682 | 9,182 |
| Public Safety | (934,654) | 46,336 | 16,393 |
| Public Safety Revenue | 934,654 | (46,336) | (16,393) |
| Utilities | (2,009,401) | 287,143 | 95,246 |
| Repair and Maintenance | (1,809,373) | 258,558 | 85,499 |
| Office Rental | (213,855) | 30,624 | 15,954 |
| Supplies | (117,118) | 16,771 | 8,737 |
| Insurance - Personnel | (163,129) | 23,360 | 12,169 |
| Capital Outlay | (93,346) | 13,339 | 4,425 |
| Total Reimbursements To (From) Other Governmental Units: | <u>\$ (7,025,915)</u> | <u>\$ 1,004,877</u> | <u>\$ 412,190</u> |

See accompanying independent auditor's report.

| District 1-D | District 1-E | District 1-F | District 1-G | District 1-H |
|---------------------|---------------------|---------------------|-------------------|-------------------|
| \$ 475,734 | \$ 356,861 | \$ 584,176 | \$ 351,282 | \$ 129,547 |
| 43,179 | 29,135 | 49,804 | 22,529 | 12,204 |
| 79,905 | 11,709 | 533,759 | 246,552 | -0- |
| (79,905) | (11,709) | (533,759) | (246,552) | -0- |
| 447,896 | 302,214 | 516,617 | 233,693 | 126,592 |
| 403,569 | 272,162 | 465,349 | 210,153 | 114,083 |
| 41,937 | 31,458 | 51,496 | 30,966 | 11,420 |
| 22,967 | 17,228 | 28,202 | 16,959 | 6,254 |
| 31,990 | 23,996 | 39,282 | 23,621 | 8,711 |
| <u>20,806</u> | <u>14,039</u> | <u>23,999</u> | <u>10,856</u> | <u>5,882</u> |
| <u>\$ 1,488,078</u> | <u>\$ 1,047,093</u> | <u>\$ 1,758,925</u> | <u>\$ 900,059</u> | <u>\$ 414,693</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, 2018

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective October 1, 2017.

| | <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: | \$ 10.70 | | N | \$ 4.90 | 0,001 and up |
| SURCHARGE: | | | | | |
| Solid Waste/ Garbage | \$ 16.34 per month plus sales tax | | Y | | |
| Commission Regulatory Assessments | 0.5% of actual water and sewer bill | | | | |

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$64.67 Wastewater: \$59.70 Surcharge: \$18.19

See accompanying independent auditor’s report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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 | _____ |
| ≤ ³ / ₄ " | _____ | _____ | X 1.0 | _____ |
| 1" | _____1 | _____1 | X 2.5 | _____3 |
| 1½" | _____ | _____ | X 5.0 | _____ |
| 2" | _____ | _____ | x 8.0 | _____ |
| 3" | _____14 | _____9 | x 15.0 | _____135 |
| 4" | _____ | _____ | x 25.0 | _____ |
| 6" | _____ | _____ | x 50.0 | _____ |
| 8" | _____ | _____ | x 80.0 | _____ |
| 10" | _____ | _____ | x 115.0 | _____ |
| Total Water Connections | =====15 | =====10 | | =====138 |
| Total Wastewater Connections | ===== -0- | ===== -0- | x 1.0 | ===== -0- |

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

Water Accountability Ratio: 97.3%
(Gallons billed and sold/Gallons
pumped and purchased)

Gallons billed to customers: 27,178,000

Gallons purchased: 27,937,000 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, 2018

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, 2018

| | |
|---|---------------------|
| PERSONNEL EXPENDITURES (Including Benefits) | <u>\$ 2,060,328</u> |
| PROFESSIONAL FEES: | |
| Auditing | \$ 43,900 |
| Engineering | 74,863 |
| Legal | <u>84,055</u> |
| TOTAL PROFESSIONAL FEES | <u>\$ 202,818</u> |
| PURCHASED WATER AND WASTEWATER SERVICES: | |
| Purchased Water Services | \$ 1,352,496 |
| Purchased Wastewater Services | 354,784 |
| Purchased Non-Potable Water | <u>125,000</u> |
| TOTAL PURCHASED WATER AND WASTEWATER SERVICES | <u>\$ 1,832,280</u> |
| CONTRACTED SERVICES: | |
| Contract Labor | <u>\$ 9,502</u> |
| TOTAL UTILITIES | <u>\$ 350,373</u> |
| REPAIRS AND MAINTENANCE | <u>\$ 1,996,891</u> |
| ADMINISTRATIVE EXPENDITURES: | |
| Director Fees | \$ 5,550 |
| Dues | 9,364 |
| Insurance | 84,193 |
| Lease Payments | 6,507 |
| Office Supplies and Postage | 55,181 |
| Payroll Taxes | 425 |
| Travel and Meetings | 6,486 |
| Other | <u>73,792</u> |
| TOTAL ADMINISTRATIVE EXPENDITURES | <u>\$ 241,498</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, 2018

| | |
|---|-----------------------------|
| CAPITAL OUTLAY: | |
| Capitalized Assets | \$ 91,545 |
| Expenditures Not Capitalized | <u> </u> |
| TOTAL CAPITAL OUTLAY | <u>\$ 91,545</u> |
| | |
| TAP CONNECTIONS | <u>\$ 95,023</u> |
| | |
| OTHER EXPENDITURES: | |
| Rental - Equipment | \$ 9,175 |
| Rental - Office | 198,172 |
| Supplies - Gas and Fuel | 32,183 |
| Supplies - Small Tools | 16,755 |
| Supplies - Uniforms | 14,621 |
| Training and Education | 23,985 |
| Other | <u>818</u> |
| TOTAL OTHER EXPENDITURES | <u>\$ 295,709</u> |
| | |
| ALLOCATED COST - REIMBURSEMENT FROM OTHER GOVERNMENTAL UNITS | <u>\$ (7,025,915)</u> |
| | |
| DEBT SERVICE: | |
| TWDB ARRA Payment | <u>\$ 165,000</u> |
| | |
| TOTAL EXPENDITURES | <u><u>\$ 315,052</u></u> |

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

Number of persons employed by the District 26 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 | | |
|--|---------------------|---------------------|---------------------|
| | 2018 | 2017 | 2016 |
| REVENUES | | | |
| Project Management Fee | \$ | \$ | \$ 570,811 |
| Charges for Services | 68,584 | 85,513 | 84,156 |
| Penalty and Interest | 264 | 771 | 2,643 |
| Permit and Inspection Fees | 17,251 | 6,985 | 4,261 |
| Investment Revenues | 1,607 | 476 | 1,905 |
| Miscellaneous Revenues | <u>126,600</u> | <u>10,882</u> | <u>29,031</u> |
| TOTAL REVENUES | <u>\$ 214,306</u> | <u>\$ 104,627</u> | <u>\$ 692,807</u> |
| EXPENDITURES | | | |
| Personnel Expenditures | \$ 2,060,328 | \$ 2,003,210 | \$ 1,895,456 |
| Professional Fees | 202,818 | 279,563 | 326,306 |
| Contracted Services | 9,502 | 78,703 | 50,160 |
| Purchased Water and Wastewater Services | 1,832,280 | 1,938,120 | 1,879,415 |
| Utilities | 350,373 | 344,490 | 370,856 |
| Repairs and Maintenance | 1,996,891 | 1,729,704 | 1,162,623 |
| Other | 632,230 | 647,553 | 628,017 |
| Allocated Costs | (7,025,915) | (7,338,097) | (6,051,248) |
| Capital Outlay | 91,545 | 219,979 | 332,357 |
| Debt Service: | | | |
| Capital Lease | | | |
| TWDB ARRA Payment | <u>165,000</u> | <u>165,000</u> | <u>165,000</u> |
| TOTAL EXPENDITURES | <u>\$ 315,052</u> | <u>\$ 68,225</u> | <u>\$ 758,942</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ (100,746)</u> | <u>\$ 36,402</u> | <u>\$ (66,135)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In(Out) | \$ | \$ (60,500) | \$ |
| Contributed to Other Governmental Units | <u>(145,529)</u> | <u>(131,607)</u> | <u></u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>\$ (145,529)</u> | <u>\$ (192,107)</u> | <u>\$ - 0 -</u> |
| NET CHANGE IN FUND BALANCE | \$ (246,275) | \$ (155,705) | \$ (66,135) |
| PRIOR PERIOD ADJUSTMENT | | 246,146 | |
| BEGINNING FUND BALANCE | <u>(69,895)</u> | <u>(160,336)</u> | <u>(94,201)</u> |
| ENDING FUND BALANCE | <u>\$ (316,170)</u> | <u>\$ (69,895)</u> | <u>\$ (160,336)</u> |
| TOTAL ACTIVE RETAIL WATER CONNECTIONS | <u>10</u> | <u>9</u> | <u>102</u> |
| TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |

See accompanying independent auditor's report.

| | | Percentage of Total Revenue | | | | |
|---------------------|---------------------|-----------------------------|----------------|----------------|------------------|----------------|
| 2015 | 2014 | 2018 | 2017 | 2016 | 2015 | 2014 |
| \$ 493,180 | \$ 599,746 | | | 82.4 % | 93.9 % | 82.8 % |
| 3,219 | 61,932 | 32.0 | 81.7 | 12.1 | 0.6 | 8.5 |
| 253 | 1,435 | 0.1 | 0.7 | 0.4 | | 0.2 |
| | 1,950 | 8.0 | 6.7 | 0.6 | | 0.3 |
| 19,636 | 26,692 | 0.7 | 0.5 | 0.3 | 3.7 | 3.7 |
| 9,291 | 32,710 | 59.2 | 10.4 | 4.2 | 1.8 | 4.5 |
| <u>\$ 525,579</u> | <u>\$ 724,465</u> | <u>100.0</u> % | <u>100.0</u> % | <u>100.0</u> % | <u>100.0</u> % | <u>100.0</u> % |
| \$ 1,777,931 | \$ 1,639,504 | 961.4 % | 1,914.6 % | 273.6 % | 338.3 % | 226.3 % |
| 508,403 | 349,028 | 94.6 | 267.2 | 47.1 | 96.7 | 48.2 |
| 54,919 | 77,073 | 4.4 | 75.2 | 7.2 | 10.4 | 10.6 |
| 2,028,055 | 1,758,258 | 855.0 | 1,852.4 | 271.3 | 385.9 | 242.7 |
| 336,594 | 346,220 | 163.5 | 329.3 | 53.5 | 64.0 | 47.8 |
| 1,130,662 | 952,849 | 931.8 | 1,653.2 | 167.8 | 215.1 | 131.5 |
| 692,316 | 617,118 | 295.0 | 618.9 | 90.6 | 131.7 | 85.2 |
| (6,006,682) | (5,268,119) | (3,278.4) | (7,013.6) | (873.4) | (1,142.9) | (727.2) |
| 382,001 | 40,274 | 42.7 | 210.3 | 48.0 | 72.7 | 5.6 |
| | 3,401 | | | | | 0.5 |
| <u>165,000</u> | <u>165,000</u> | <u>77.0</u> | <u>157.7</u> | <u>23.8</u> | <u>31.4</u> | <u>22.8</u> |
| <u>\$ 1,069,199</u> | <u>\$ 680,606</u> | <u>147.0</u> % | <u>65.2</u> % | <u>109.5</u> % | <u>203.3</u> % | <u>94.0</u> % |
| <u>\$ (543,620)</u> | <u>\$ 43,859</u> | <u>(47.0)</u> % | <u>34.8</u> % | <u>(9.5)</u> % | <u>(103.3)</u> % | <u>6.0</u> % |
| \$ 473 | \$ (604,276) | | | | | |
| <u>\$ 473</u> | <u>\$ (604,276)</u> | | | | | |
| \$ (543,147) | \$ (560,417) | | | | | |
| | (298,809) | | | | | |
| <u>448,946</u> | <u>1,308,172</u> | | | | | |
| <u>\$ (94,201)</u> | <u>\$ 448,946</u> | | | | | |
| <u>16</u> | <u>1</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, 2018**

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

| Board Members | Term of Office (Elected or Appointed) | Fees of office for the year ended <u>September 30, 2018</u> | Expense Reimbursements for the year ended <u>September 30, 2018</u> | <u>Title</u> |
|-----------------------|--|--|---|-------------------------|
| Gaylord S. O'Con | 05/16 05/20 (Elected) | \$ 1,050 | \$ 159 | President |
| John Phillip Brosseau | 05/16 05/20 (Elected) | \$ 1,200 | \$ -0- | Vice President |
| Scott Beard | 05/18 05/22 (Elected) | \$ 1,350 | \$ 107 | Secretary/ Treasurer |
| Kevin Egan | 05/18 05/22 (Elected) | \$ 1,200 | \$ 96 | Assistant Secretary |
| Jack Carlile | 05/18 05/22 (Elected) | \$ 750 | \$ 60 | 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): May 30, 2018.

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, 2018

| Consultants: | <u>Date Hired</u> | <u>Fees for the year ended September 30, 2018</u> | <u>Title</u> |
|-------------------------------------|-----------------------|---|-------------------------------|
| Winstead PC | 07/28/11 | \$ 81,593 | Attorney |
| Hurt & Berry, LLP | 05/03/10 | \$ -0- | Attorney |
| McCall Gibson Swedlund Barfoot PLLC | 09/17/13 | \$ 43,900 | Auditor |
| IDS/Pate Engineers, Inc. | 11/16/09 | \$ -0- | Engineer |
| Land Design, Inc | 01/15/13 | \$ 62,525 | Engineer |
| Denton County Tax Collector | Legislative Action | \$ -0- | Tax Assessor/ Collector |
| Key Personnel: | | | |
| Robert Flint | 03/30/09 | \$ -0- | Investment Officer |

See accompanying independent auditor's report.

