

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2019

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7

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ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Denton County Fresh Water
Supply District No. 7
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. 7 (the "District"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors
Denton County Fresh Water
Supply District No. 7

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, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

January 21, 2020

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Management's discussion and analysis of Denton County Fresh Water Supply District No. 7's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2019.

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, if applicable, 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.

FUND FINANCIAL STATEMENTS

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets and deferred outflows of resources by \$2,312,258 as of September 30, 2019. The following is a comparative analysis of government-wide changes in net position:

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 13,460,966	\$ 18,832,739	\$ (5,371,773)
Capital Assets (Net of Accumulated Depreciation)	68,893,625	71,100,763	(2,207,138)
Total Assets	\$ 82,354,591	\$ 89,933,502	\$ (7,578,911)
Deferred Outflows of Resources	\$ 888,913	\$ 1,036,512	\$ (147,599)
Bonds Payable	\$ 83,983,541	\$ 88,979,371	\$ 4,995,830
Due to Developer	106,786	4,710,219	4,603,433
Other Liabilities	1,465,435	1,658,537	193,102
Total Liabilities	\$ 85,555,762	\$ 95,348,127	\$ 9,792,365
Net Position:			
Net Investment in Capital Assets	\$ (11,696,811)	\$ (14,416,999)	\$ 2,720,188
Restricted	1,359,854	3,080,910	(1,721,056)
Unrestricted	8,024,699	6,957,976	1,066,723
Total Net Position	\$ (2,312,258)	\$ (4,378,113)	\$ 2,065,855

The following table provides a summary of the District's operations for the years ended September 30, 2019, and September 30, 2018. The District's net position increased by \$2,065,855.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 7,154,655	\$ 6,863,833	\$ 290,822
Charges for Services	3,187,511	3,323,752	(136,241)
Facility Connection Fees	727,660	797,784	(70,124)
Miscellaneous Revenues	676,007	333,944	342,063
Total Revenues	\$ 11,745,833	\$ 11,319,313	\$ 426,520
Expenses for Services	9,679,978	11,508,093	1,828,115
Change in Net Position	\$ 2,065,855	\$ (188,780)	\$ 2,254,635
Net Position, Beginning of Year	(4,378,113)	(4,189,333)	(188,780)
Net Position, End of Year	\$ (2,312,258)	\$ (4,378,113)	\$ 2,065,855

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2019, were \$12,257,253, a decrease of \$5,216,190 from the prior year. The General Fund fund balance increased by \$1,070,298. The costs of operating the District's water and wastewater systems were less than service revenues and property tax revenues. The Debt Service Fund fund balance decreased by \$1,762,150, primarily due to the structure of the District's outstanding debt service requirements as well as the early redemption of certain Series 2010 and Series 2011 bonds. The Capital Projects Fund fund balance decreased by \$4,524,338, primarily due to developer reimbursements from the proceeds of bonds issued in the prior fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$441,985 more than budgeted revenues, primarily due to higher than anticipated revenues across most categories. Actual expenditures were \$530,694 less than budgeted expenditures, primarily due to lower than anticipated purchased water and wastewater service costs and repairs and maintenance costs, which were offset by higher than anticipated personnel, other and capital costs.

CAPITAL ASSETS

Capital assets as of September 30, 2019, total \$68,893,625 (net of accumulated depreciation) and include land, building, roads, landscaping, water system, sewer system, and equipment. Current year acquisitions included land, building, vehicles/equipment and road improvements.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 3,856,171	\$ 3,682,598	\$ 173,573
Certificate of Convenience and Necessity	14,186	14,186	
Construction in Progress		371,094	(371,094)
Capital Assets, Net of Accumulated Depreciation:			
Water and Wastewater System	31,091,300	32,529,702	(1,438,402)
Roads and Improvements	28,695,155	29,311,942	(616,787)
Landscaping	4,647,540	5,091,240	(443,700)
Building	464,526		464,526
Equipment	124,747	100,001	24,746
Total Net Capital Assets	<u>\$ 68,893,625</u>	<u>\$ 71,100,763</u>	<u>\$ (2,207,138)</u>

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

LONG-TERM DEBT

As of September 30, 2019, the District had total bond debt payable of \$83,855,000. During the current fiscal year, the District used available Debt Service Fund money to redeem, prior to stated maturities, \$970,000 of Series 2010 bonds and \$470,000 of Series 2011 bonds. The changes in the debt position of the District during the fiscal year ended September 30, 2019, are summarized as follows:

Bond Debt Payable, October 1, 2018	\$ 88,840,000
Less: Bond Principal Paid	<u>4,985,000</u>
Bond Debt Payable, September 30, 2019	<u>\$ 83,855,000</u>

The Series 2013 Road Refunding Bonds, Series 2014 Refunding Bonds, Series 2015 Road Bonds, Series 2016 Road and Refunding Bonds and Series 2017 Road Bonds carry insured ratings of “AA” by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2013 Road Bonds and Series 2018 Bonds carry insured ratings of “AA” by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2015 Bonds carry an insured rating of “AA” by virtue of bond insurance issued by Municipal Assurance Corp. The above ratings reflect changes, if any, through year end.

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. 7, c/o General Manager, 2650 FM 407 E, Suite 125, Bartonville, Texas 76226.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 5,633,558	\$ 1,769,839
Investments	2,585,568	
Receivables:		
Property Taxes	1,759	14,564
Service Accounts	37,224	
Due from Other Funds	188,562	
Prepaid Costs		
Due from Other Districts	636,250	
Land		
Certificate of Convenience and Necessity		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 9,082,921	\$ 1,784,403
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 9,082,921	\$ 1,784,403

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 648,698	\$ 8,052,095	\$	\$ 8,052,095
2,068,922	4,654,490		4,654,490
	16,323		16,323
	37,224		37,224
	188,562	(188,562)	
		64,584	64,584
	636,250		636,250
		3,856,171	3,856,171
		14,186	14,186
		<u>65,023,268</u>	<u>65,023,268</u>
<u>\$ 2,717,620</u>	<u>\$ 13,584,944</u>	<u>\$ 68,769,647</u>	<u>\$ 82,354,591</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 888,913</u>	<u>\$ 888,913</u>
<u>\$ 2,717,620</u>	<u>\$ 13,584,944</u>	<u>\$ 69,658,560</u>	<u>\$ 83,243,504</u>

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2019

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 958,510	\$
Accrued Interest Payable		
Due to Other Funds		81,920
Security Deposits	164,296	
Long-Term Liabilities:		
Due to Developer		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 1,122,806	\$ 81,920
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 1,759	\$ 14,564
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		1,687,919
Unassigned	7,958,356	
TOTAL FUND BALANCES	\$ 7,958,356	\$ 1,687,919
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 9,082,921	\$ 1,784,403
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 958,510	\$	\$ 958,510
		342,629	342,629
106,642	188,562	(188,562)	
	164,296		164,296
		106,786	106,786
		3,715,000	3,715,000
		<u>80,268,541</u>	<u>80,268,541</u>
<u>\$ 106,642</u>	<u>\$ 1,311,368</u>	<u>\$ 84,244,394</u>	<u>\$ 85,555,762</u>
<u>\$ -0-</u>	<u>\$ 16,323</u>	<u>\$ (16,323)</u>	<u>\$ -0-</u>
\$ 2,610,978	\$ 2,610,978	\$ (2,610,978)	\$
	1,687,919	(1,687,919)	
	<u>7,958,356</u>	<u>(7,958,356)</u>	
<u>\$ 2,610,978</u>	<u>\$ 12,257,253</u>	<u>\$ (12,257,253)</u>	<u>\$ - 0 -</u>
<u>\$ 2,717,620</u>	<u>\$ 13,584,944</u>		
		\$ (11,696,811)	\$ (11,696,811)
		1,359,854	1,359,854
		<u>8,024,699</u>	<u>8,024,699</u>
		<u>\$ (2,312,258)</u>	<u>\$ (2,312,258)</u>

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Total Fund Balances - Governmental Funds \$ 12,257,253

Amounts reported for governmental activities in the Statement of Net Position are different because:

Prepaid bond insurance costs are amortized over the term of the bonds in the government-wide financial statements. 64,584

Interest paid in advance as part of a refunding bond sale is recorded as deferred outflows of resources in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter. 888,913

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 68,893,625

Deferred inflows of resources related to property tax revenues for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District. 16,323

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (106,786)	
Accrued Interest Payable	(342,629)	
Bonds Payable	<u>(83,983,541)</u>	<u>(84,432,956)</u>

Total Net Position - Governmental Activities \$ (2,312,258)

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. 7
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,046,982	\$ 6,109,350
Water Service	1,460,601	
Wastewater Service	1,022,205	
Solid Waste Revenue	404,350	
Permit and Inspection Fees	300,355	
Franchise Fees	134,063	
Facility Connection Fees	727,660	
Miscellaneous Revenues	242,307	46,969
TOTAL REVENUES	\$ 5,338,523	\$ 6,156,319
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 107,157	\$
Contracted Services	412,387	4,362
Purchased Water and Wastewater Services	1,693,833	
Utilities	93,643	
Repairs and Maintenance	867,497	
Depreciation		
Personnel and Other	835,312	18,301
Capital Outlay	242,996	
Debt Service:		
Bond Principal		4,985,000
Bond Interest		2,910,806
Bond Issuance Costs	15,400	
TOTAL EXPENDITURES/EXPENSES	\$ 4,268,225	\$ 7,918,469
NET CHANGE IN FUND BALANCES	\$ 1,070,298	\$ (1,762,150)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2018	6,888,058	3,450,069
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2019	\$ 7,958,356	\$ 1,687,919

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 7,156,332	\$ (1,677)	\$ 7,154,655
	1,460,601		1,460,601
	1,022,205		1,022,205
	404,350		404,350
	300,355		300,355
	134,063		134,063
	727,660		727,660
79,095	368,371	173,573	541,944
<u>\$ 79,095</u>	<u>\$ 11,573,937</u>	<u>\$ 171,896</u>	<u>\$ 11,745,833</u>
\$	\$ 107,157	\$	\$ 107,157
	416,749		416,749
	1,693,833		1,693,833
	93,643		93,643
	867,497		867,497
		2,623,707	2,623,707
	853,613		853,613
4,603,433	4,846,429	(4,846,429)	
	4,985,000	(4,985,000)	
	2,910,806	97,573	3,008,379
	15,400		15,400
<u>\$ 4,603,433</u>	<u>\$ 16,790,127</u>	<u>\$ (7,110,149)</u>	<u>\$ 9,679,978</u>
\$ (4,524,338)	\$ (5,216,190)	\$ 5,216,190	\$
		2,065,855	2,065,855
7,135,316	17,473,443	(21,851,556)	(4,378,113)
<u>\$ 2,610,978</u>	<u>\$ 12,257,253</u>	<u>\$ (14,569,511)</u>	<u>\$ (2,312,258)</u>

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
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, 2019

Net Change in Fund Balances - Governmental Funds	\$ (5,216,190)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(1,677)
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.	(2,623,707)
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.	5,020,002
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.	4,985,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	<u>(97,573)</u>
Change in Net Position - Governmental Activities	<u>\$ 2,065,855</u>

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1. CREATION OF DISTRICT

Denton County Fresh Water Supply District No. 7 (the District) was created as a result of an election to divide Denton County Fresh Water Supply District No. 6 into two districts held May 6, 2000, in accordance with Section 53.029, Texas Water Code, as amended. Creation of the District was validated by Section 42 of Senate Bill 1444, Acts of the 77th Legislature of the State of Texas, Regular Session 2001. The Board of Directors held its first meeting on May 18, 2000. The District operates in accordance with Chapters 49, 51, and, for limited purposes, 53 of the Texas Water Code and is subject to the continuing supervision of the Texas Commission on Environmental Quality (the Commission). The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, drainage and roadway facilities and to provide such facilities and services to the customers of the District.

The District contains a portion of the land comprising a master planned community known as “Lantana.” The balance of Lantana is located within Denton County Fresh Water Supply District No. 6 (DCFWSN No. 6) (the District and DCFWSN No. 6, sometimes individually “FWSD” or collectively, “FWSDs”). Each FWSD proposes to finance, from time to time and in phases, the acquisition and construction of water, sanitary sewer and drainage facilities and road improvements necessary to serve the land within its respective boundaries. In addition, all of the land comprising Lantana located within the FWSDs is currently located within the boundaries of Denton County Development District No. 4 (DCDD No. 4). DCDD No. 4 has been created and operates pursuant to Chapter 383, Local Government Code, as amended, for the purpose of financing, acquiring, and constructing projects to promote and develop new or expanded business enterprises which will attract tourists and visitors to Denton County, including the area within the FWSDs. Presently, obligations of DCDD No. 4 may be secured only by sales tax receipts and project revenues, and not from ad valorem taxes.

The District has entered into a Joint Utility Contract and Joint Road Contract (as each is hereinafter defined) with DCFWSN No. 6. It is currently contemplated that DCDD No. 4 would finance the acquisition and construction of projects that will promote visitors and tourism within the area of Lantana. The District does not own water production or wastewater treatment facilities. Pursuant to the agreements described in Note 8, the District has contracted with Upper Trinity Regional Water District for the purchase of water and the treatment of wastewater.

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.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether 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.

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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.

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Basis of Accounting

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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. As of September 30, 2019, the Debt Service Fund owed the General Fund \$81,920 for the collection of taxes. The Capital Projects Fund owed the General Fund \$106,642 for costs related to issuing the Series 2017 Road and Series 2018 Utility Bonds.

Capital Assets

Capital 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. Engineering fees and certain other costs are capitalized as part of the asset.

The District chose to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 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
Water and Wastewater Systems	30
Vehicles and Equipment	3-20
Roads	45
Buildings	40

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

The Internal Revenue Service has determined that directors are considered to be “employees” for federal payroll tax purposes only. The District offers all employees the opportunity to participate in a 401(k) plan. The District makes a discretionary match up to 9% of the employee’s compensation for the year.

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. The District does not have any nonspendable fund balances.

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.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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.

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. LONG-TERM DEBT

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2019:

	October 1, 2018	Additions	Retirements	September 30, 2019
Bonds Payable	\$ 88,840,000	\$	\$ 4,985,000	\$ 83,855,000
Unamortized Discount	(65,589)		(3,556)	(62,033)
Unamortized Premium	204,960		14,386	190,574
Bonds Payable, Net	<u>\$ 88,979,371</u>	<u>\$ -0-</u>	<u>\$ 4,995,830</u>	<u>\$ 83,983,541</u>
		Amount Due Within One Year		\$ 3,715,000
		Amount Due After One Year		<u>80,268,541</u>
		Bonds Payable, Net		<u>\$ 83,983,541</u>

During the current fiscal year, the District used available Debt Service Fund money to early redeem \$970,000 of Series 2010 bonds and \$470,000 of Series 2011 bonds.

As of September 30, 2019, the District had authorized but unissued utility bonds in the amount of \$3,138,259 and road bonds in the amount of \$4,696,904. The District has \$141,847,745 and \$53,292,389 in authorized but unissued bonds for refunding previously issued road and utility bonds, respectively. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 3. LONG-TERM DEBT (Continued)

	<u>Series 2010 Road</u>	<u>Series 2011</u>	<u>Series 2012</u>
Amount Outstanding – September 30, 2019	\$ 595,000	\$ 4,155,000	\$ 4,690,000
Interest Rates	3.75%-4.625%	3.60%-5.00%	2.50%-3.875%
Maturity Dates – Serially Beginning/Ending	February 15, 2020/2027	February 15, 2020/2035	February 15, 2020/2037
Interest Payment Dates	February 15/ August 15	February 15/ August 15	February 15/ August 15
Callable Dates	February 15, 2019*	February 15, 2020*	February 15, 2019*
	<u>Road Refunding Series 2013</u>	<u>Series 2013 Road</u>	<u>Refunding Series 2014</u>
Amount Outstanding – September 30, 2019	\$ 10,585,000	\$ 6,380,000	\$ 5,700,000
Interest Rates	2.50%-4.00%	3.00%-5.00%	3.00%-4.00%
Maturity Dates – Serially Beginning/Ending	February 15, 2020/2032	February 15, 2020/2038	February 15, 2020/2033
Interest Payment Dates	February 15/ August 15	February 15/ August 15	February 15/ August 15
Callable Dates	February 15, 2032*	February 15, 2021*	February 15, 2023*

* Or any date thereafter in such order as the District may determine, callable at par plus unpaid accrued interest in whole or in part at the option of the District. Series 2010 Road term bonds due February 15, 2027 are subject to mandatory redemption beginning February 15, 2026. Series 2011 term bonds maturing in February 15, 2026 are subject to mandatory redemption beginning February 15, 2024. Series 2012 term bonds due February 15, 2031, February 15, 2035, and February 15, 2037 are subject to mandatory redemption beginning February 15, 2030, February 15, 2034, and February 15, 2036, respectively. Series 2013 Road refunding term bonds maturing in February 15, 2032 are subject to mandatory redemption beginning February 15, 2031. Series 2013 Road term bonds due February 15, 2031, February 15, 2033, February 15, 2035 and February 15, 2038 are subject to mandatory redemption beginning February 15, 2030, February 15, 2032, February 15, 2034 and February 15, 2036, respectively. Series 2014 refunding term bonds due February 15, 2023, February 15, 2025, February 15, 2029 and February 15, 2032, are subject to mandatory redemption beginning February 15, 2022, February 15, 2024, February 15, 2026 and February 15, 2030, respectively.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 3. LONG-TERM DEBT (Continued)

	<u>Series 2015</u>	<u>Series 2015 Road</u>	<u>Road and Refunding Series 2016</u>
Amount Outstanding – September 30, 2019	\$ 8,065,000	\$ 9,380,000	\$ 11,125,000
Interest Rates	2.00%-3.75%	2.00%-3.625%	2.00%-3.00%
Maturity Dates – Serially Beginning/Ending	February 15, 2020/2039	February 15, 2020/2037	February 15, 2020/2038
Interest Payment Dates	February 15/ August 15	February 15/ August 15	February 15/ August 15
Callable Dates	February 15, 2023*	February 15, 2023*	February 15, 2023*
	<u>Series 2017 Road</u>	<u>Series 2018</u>	
Amount Outstanding – September 30, 2019	\$ 12,765,000	\$ 10,415,000	
Interest Rates	2.00%-3.25%	3.00%-4.00%	
Maturity Dates – Serially Beginning/Ending	February 15, 2020/2037	February 15, 2020/2039	
Interest Payment Dates	February 15/ August 15	February 15/ August 15	
Callable Dates	February 15, 2025*	February 15, 2023*	

* Or any date thereafter in such order as the District may determine, callable at par plus unpaid accrued interest in whole or in part at the option of the District. Series 2015 term bonds due February 15, 2033, February 15, 2035, and February 15, 2039 are subject to mandatory redemption beginning February 15, 2032, February 15, 2034, and February 15, 2036, respectively. Series 2015 Road term bonds due February 15, 2037 are subject to mandatory redemption beginning February 15, 2036. Series 2016 Road and Refunding term bonds due February 15, 2038 subject to mandatory redemption beginning February 15, 2034. Series 2018 term bonds due February 15, 2039 are subject to mandatory redemption beginning February 15, 2038.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 3. LONG-TERM DEBT (Continued)

As of September 30, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 3,715,000	\$ 2,693,728	\$ 6,408,728
2021	3,810,000	2,591,546	6,401,546
2022	3,910,000	2,482,187	6,392,187
2023	4,025,000	2,370,775	6,395,775
2024	4,135,000	2,256,358	6,391,358
2025-2029	22,470,000	9,310,469	31,780,469
2030-2034	24,815,000	5,284,567	30,099,567
2035-2039	16,975,000	1,376,006	18,351,006
	<u>\$ 83,855,000</u>	<u>\$ 28,365,636</u>	<u>\$ 112,220,636</u>

For the year ended September 30, 2019, the District levied an ad valorem debt service tax rate of \$0.811 per \$100 of assessed valuation, which resulted in a tax levy of \$6,107,816 on the adjusted taxable valuation of \$753,121,670 for the 2018 tax year. The bond orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy. The District's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5. 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. At fiscal year-end, the carrying amount of the District’s deposits was \$8,052,095 and the bank balance was \$8,043,687. The District was not exposed to custodial credit risk at year-end. The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2019 are listed below:

	Cash
GENERAL FUND	\$ 5,633,558
DEBT SERVICE FUND	1,769,839
CAPITAL PROJECTS FUND	648,698
TOTAL DEPOSITS	\$ 8,052,095

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.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
LOGIC	\$ 2,585,568	\$ 2,585,568
<u>CAPITAL PROJECTS FUND</u>		
LOGIC	<u>2,068,922</u>	<u>2,068,922</u>
TOTAL INVESTMENTS	<u>\$ 4,654,490</u>	<u>\$ 4,654,490</u>

The District invests in LOGIC (Local Government Investment Cooperative), an external public fund investment pool that is not SEC-registered. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the participants. Hilltop Securities, Inc. and J.P. Morgan Investment Management, Inc. serve as co-administrators of the pool. LOGIC measures all of its portfolio assets at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from LOGIC. The District measures its investments in LOGIC.

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of September 30, 2019, the District's investment in LOGIC was rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in LOGIC to have a maturity of less than one year due to the fact that the shares position can usually be redeemed each day at the discretion of the District unless there has been a significant change in value.

Restrictions - All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 is as follows:

	October 1, 2018	Increases	Decreases	September 30, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 3,682,598	\$ 173,573	\$	\$ 3,856,171
Certificate of Convenience and Necessity	14,186			14,186
Construction in Progress	<u>371,094</u>	<u>242,996</u>	<u>614,090</u>	
Total Capital Assets Not Being Depreciated	<u>\$ 4,067,878</u>	<u>\$ 416,569</u>	<u>\$ 614,090</u>	<u>\$ 3,870,357</u>
Capital Assets Subject to Depreciation				
Water and Wastewater System	\$ 43,468,553		\$	\$ 43,468,553
Roads and Improvements	32,196,602	98,693		32,295,295
Landscaping	6,952,966			6,952,966
Building		469,868		469,868
Equipment	<u>227,789</u>	<u>45,529</u>		<u>273,318</u>
Total Capital Assets Subject to Depreciation	<u>\$ 82,845,910</u>	<u>\$ 614,090</u>	<u>\$ - 0 -</u>	<u>\$ 83,460,000</u>
Less Accumulated Depreciation				
Water and Wastewater System	\$ 10,938,851	\$ 1,438,402	\$	\$ 12,377,253
Roads and Improvements	2,884,660	715,480		3,600,140
Landscaping	1,861,726	443,700		2,305,426
Building		5,342		5,342
Equipment	<u>127,788</u>	<u>20,783</u>		<u>148,571</u>
Total Accumulated Depreciation	<u>\$ 15,813,025</u>	<u>\$ 2,623,707</u>	<u>\$ - 0 -</u>	<u>\$ 18,436,732</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 67,032,885</u>	<u>\$ (2,009,617)</u>	<u>\$ - 0 -</u>	<u>\$ 65,023,268</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 71,100,763</u>	<u>\$ (1,593,048)</u>	<u>\$ 614,090</u>	<u>\$ 68,893,625</u>

NOTE 7. MAINTENANCE TAX AND CONTRACT TAX

At an election held November 7, 2000, voters authorized a maintenance tax, unlimited in rate or amount, on all property within the District subject to taxation. In addition, at an election held August 11, 2001, voters authorized a contract tax, unlimited in rate or amount, on all property within the District subject to taxation. During the fiscal year ended September 30, 2019, the District levied a maintenance tax rate of \$0.139 per \$100 of assessed valuation, which resulted in a tax levy of \$1,046,839 on an adjusted taxable valuation of \$753,121,670 for the 2018 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating and maintaining the District's waterworks and sanitary sewer system.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 8. OPERATING AGREEMENTS

Effective November 15, 2001, the District entered into two 25-year contracts with Upper Trinity Regional Water District (UTRWD) in which UTRWD has pledged to deliver certain water supply and wastewater treatment services as required to serve the property owners within the District.

Under the terms of the contracts, the District has an obligation to make certain payments for construction costs of various facilities. The UTRWD has the power to issue contract revenue bonds in an amount sufficient to pay all costs of acquisition of the facilities. The participating districts have pledged to pay their proportionate share of annual debt service on any bonds on the basis of assessed value in each participating district.

The District and Bartonville Water Supply Corporation (Bartonville) entered into an agreement dated May 29, 2001, whereby Bartonville agreed to modify its certificate of convenience and necessity in order for the Lantana project to receive retail water service from the District. Under the terms of the agreement, the District agreed to pay Bartonville \$820 for each single family residential lot for which a building permit is issued up to \$2,700,000. The District and Bartonville entered into an agreement dated May 14, 2007, whereby Bartonville agreed to modify its certificate of convenience and necessity in order for an additional 159 acres of the Lantana Project to receive retail water service from the District. Under the terms of the agreement, the District agreed to pay Bartonville \$1,103 for each single family residential lot for which a building permit is issued up to \$300,000.

On October 18, 2001, the District entered into a joint utility agreement with Denton County Fresh Water Supply District No. 6 (DCFWSO No. 6). Under the terms of the agreement, the District has agreed to be the coordinating district to provide or cause to be provided, regional water supply and delivery facilities and regional wastewater treatment, collection, and disposal. The districts will share costs of providing water and sewer services. Each participating district is billed monthly for fixed costs based on the percentage of current subscription capacity to total subscription capacity and variable costs based on each participant's pro rata share of consumption. The District has also entered into an agreement with DCFWSO No. 6 and DCDD No. 4 to supply administrative and oversight support to the districts.

Pursuant to the Joint Utility Contract (hereinafter defined) with DCFWSO No. 6, the District has agreed to levy and, if necessary, annually assess and collect an ad valorem tax, unlimited in rate or amount, sufficient to accomplish full and timely payment of all costs, charges, fees, and expenses required therein, including the District's share of obligations under the UTRWD Contracts (hereinafter defined). Notwithstanding the foregoing, if in advance of the time when ad valorem taxes are scheduled to be assessed and collected for any year, other funds are legally available for the payment of the District's obligations under the Joint Utility Contract (including obligations under the UTRWD Contracts), the amount of ad valorem taxes required to be assessed and collected may be reduced to the extent of such available funds.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 8. OPERATING AGREEMENTS (Continued)

Pursuant to a Joint Road Contract dated October 18, 2001, and as subsequently amended, between the District and DSFWS No. 6, costs of certain roads, including landscaping and maintenance, will be shared. Each district will construct and pay for its internal road improvements as well as pay for its proportionate share of road improvements inside and outside its boundaries.

NOTE 9. UNREIMBURSED COSTS

The District has entered into a series of agreements with the developer and its affiliates, whereas the developer will construct roads, utility facilities and recreational facilities for the benefit of the District. The District has agreed to purchase the constructed assets at a future date and at an amount, including interest, in accordance with the applicable rules and orders of the Texas Commission on Environmental Quality. The District will purchase the constructed assets through the issuance of bonds or by other means.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, mobile equipment, general liability, boiler and machinery, errors and omissions, public employee dishonesty, automobile, and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise, they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 11. SUBSEQUENT EVENT – REFUNDING BOND SALE

On December 4, 2019, subsequent to year-end, the District closed on the sale of its \$8,140,000 Series 2019 Unlimited Tax Utility System Refunding Bonds. Proceeds of the bonds, in addition to \$500,000 of the District's Debt Service Fund money, were used to redeem, prior to stated maturities, a portion of the Series 2011 bonds in the amount of \$3,995,000 with maturities of 2021 through 2035, interest rates between 3.75% and 5.00%, and a redemption date of February 15, 2020. Proceeds of the bonds were also used to redeem, prior to stated maturities, a portion of the Series 2012 bonds in the amount of \$4,530,000 with maturities of 2021 through 2037, interest rates between 2.65% and 3.875%, and a redemption date of January 3, 2020. The refunding resulted in gross debt service savings of \$1,810,828 and net present value savings of \$849,406.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2019

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,036,604	\$ 1,046,982	\$ 10,378
Water Service	1,527,920	1,460,601	(67,319)
Wastewater Service	1,021,824	1,022,205	381
Solid Waste Revenues	381,276	404,350	23,074
Permit and Inspection Fees	204,163	300,355	96,192
Franchise Fees	109,588	134,063	24,475
Facility Connection Fees	590,024	727,660	137,636
Miscellaneous Revenues	25,139	242,307	217,168
TOTAL REVENUES	<u>\$ 4,896,538</u>	<u>\$ 5,338,523</u>	<u>\$ 441,985</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 123,000	\$ 122,557	\$ 443
Purchased Water and Wastewater Services	2,003,722	1,693,833	309,889
Utilities	120,960	93,643	27,317
Repairs and Maintenance	1,294,721	867,497	427,224
Personnel and Other	1,189,316	1,247,699	(58,383)
Capital Outlay	67,200	242,996	(175,796)
TOTAL EXPENDITURES	<u>\$ 4,798,919</u>	<u>\$ 4,268,225</u>	<u>\$ 530,694</u>
NET CHANGE IN FUND BALANCE	\$ 97,619	\$ 1,070,298	\$ 972,679
FUND BALANCE - OCTOBER 1, 2018	<u>6,888,058</u>	<u>6,888,058</u>	<u></u>
FUND BALANCE - SEPTEMBER 30, 2019	<u>\$ 6,985,677</u>	<u>\$ 7,958,356</u>	<u>\$ 972,679</u>

See accompanying independent auditor's report.

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DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

SEPTEMBER 30, 2019

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective October 1, 2018.

	<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:	\$ 29.00	1,000	N	\$ 3.30 \$ 3.70 \$ 4.10 \$ 5.00 \$ 6.50	1,001 to 10,000 10,001 to 20,000 20,001 to 30,000 30,001 to 50,000 50,001 and up
WASTEWATER:	\$ 27.00	1,000	N	\$ 3.50	1,001 and up
SURCHARGE:					
Solid Waste/ Garbage Commission	\$ 21.35 per month		Y		
Regulatory Assessments	0.5% of water and sewer bill				

District employs winter averaging for wastewater usage?

<u> X </u>	_____
Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$58.70 Wastewater: \$58.50 Surcharge: \$21.94

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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 "	<u>2,195</u>	<u>2,195</u>	X 1.0	<u>2,195</u>
1"			X 2.5	
1½"	<u>5</u>	<u>5</u>	X 5.0	<u>25</u>
2"	<u>54</u>	<u>54</u>	x 8.0	<u>432</u>
3"	<u>8</u>	<u>8</u>	x 15.0	<u>120</u>
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>2,262</u></u>	<u><u>2,262</u></u>		<u><u>2,772</u></u>
Total Wastewater Connections	<u><u>1,753</u></u>	<u><u>1,753</u></u>	x 1.0	<u><u>1,753</u></u>

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

Water Accountability Ratio: 97%
(Gallons billed/Gallons purchased)

Gallons billed to customers: 284,210,000

Gallons purchased: 293,094,000

From: Upper Trinity Regional Water District

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

City in which District is located:

Bartonville, Texas

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

Entirely Partly Not at all

ETJ's in which District is located:

Cities of Denton, Bartonville, Double Oak, and Copper Canyon, 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. 7
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

PROFESSIONAL FEES:	
Auditing	\$ 16,000
Engineering	15,394
Legal	75,763
TOTAL PROFESSIONAL FEES	<u>\$ 107,157</u>
DISTRICT ADMINISTRATION:	
Personnel	\$ 528,033
Administrative Overhead	200,363
TOTAL DISTRICT ADMINISTRATION	<u>\$ 728,396</u>
PURCHASED WATER AND WASTEWATER SERVICES:	
Purchased Water Services	\$ 1,049,048
Purchased Wastewater Services	644,785
TOTAL PURCHASED WATER AND WASTEWATER SERVICES	<u>\$ 1,693,833</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 42,475
Solid Waste Disposal	351,960
Operations and Billing	17,952
TOTAL CONTRACTED SERVICES	<u>\$ 412,387</u>
UTILITIES	<u>\$ 93,643</u>
REPAIRS AND MAINTENANCE	<u>\$ 867,497</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 11,550
Bank Charges/Credit Card Fees	28,453
Insurance	22,373
Payroll Taxes	32,292
Other	2,593
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 97,261</u>
CAPITAL OUTLAY	<u>\$ 242,996</u>
OTHER EXPENDITURES:	
Regulatory Assessment	<u>\$ 9,655</u>
BOND ISSUANCE COSTS	<u>\$ 15,400</u>
TOTAL EXPENDITURES	<u><u>\$ 4,268,225</u></u>

Number of persons employed by the District 9 Full-Time -0- Part-Time

Employees are shared between the District, DCFWSD No. 6 and DCDD No. 4

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
INVESTMENTS
SEPTEMBER 30, 2019

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u> LOGIC	XXXX4001	Varies	Daily	\$ 2,585,568	\$ - 0 -
<u>CAPITAL PROJECTS FUND</u> LOGIC	XXXX4002	Varies	Daily	\$ 2,068,922	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 4,654,490</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Maintenance Taxes	Debt Service Taxes
TAXES RECEIVABLE -		
OCTOBER 1, 2018	\$ 1,902	\$ 16,098
Adjustments to Beginning		
Balance	\$ 1,902	\$ 16,098
Original 2018 Tax Levy	\$ 1,048,998	\$ 6,120,410
Adjustment to 2018 Tax Levy	(2,159)	(12,594)
TOTAL TO BE	\$ 1,046,839	\$ 6,107,816
ACCOUNTED FOR	\$ 1,048,741	\$ 6,123,914
TAX COLLECTIONS:		
Prior Years	\$ 887	\$ 5,873
Current Year	1,046,095	6,103,477
TAXES RECEIVABLE -		
SEPTEMBER 30, 2019	\$ 1,759	\$ 14,564
TAXES RECEIVABLE BY		
YEAR:		
2018	\$ 744	\$ 4,339
2017	442	2,929
2016	37	257
2015	1	9
2014	2	14
2013	2	12
2012	530	4,078
2011	1	7
2010		51
2009		50
2007		2,818
TOTAL	\$ 1,759	\$ 14,564

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2018	2017	2016	2015
PROPERTY VALUATIONS:				
Land	\$ 188,640,162	\$ 180,687,751	\$ 145,849,367	\$ 133,388,891
Improvements	572,413,932	502,071,430	454,584,724	374,213,008
Personal Property	15,060,612	16,104,821	16,368,471	6,803,905
Exemptions	<u>(22,993,036)</u>	<u>(12,477,669)</u>	<u>(12,914,842)</u>	<u>(8,687,627)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 753,121,670</u>	<u>\$ 686,386,333</u>	<u>\$ 603,887,720</u>	<u>\$ 505,718,177</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.811	\$ 0.8688	\$ 0.8737	\$ 0.8789
Maintenance	<u>0.139</u>	<u>0.1312</u>	<u>0.1263</u>	<u>0.1211</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.950</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
ADJUSTED TAX LEVY*	<u>\$ 7,154,655</u>	<u>\$ 6,863,863</u>	<u>\$ 6,038,877</u>	<u>\$ 5,057,182</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.92 %</u>	<u>99.95 %</u>	<u>99.99 %</u>	<u>99.99 %</u>

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

Maintenance and Contract Taxes – At an election held November 7, 2000, voters authorized a maintenance tax, unlimited in rate or amount, on all property within the District subject to taxation. In addition, at an election held August 11, 2001, voters authorized a contract tax, unlimited in rate or amount, on all property within the District subject to taxation.

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

S E R I E S - 2 0 1 0 R O A D				
Due During Fiscal Years Ending September 30	Principal Due February 15	Interest Due February 15/ August 15	Total	
2020	\$ 60,000	\$ 24,563	\$	84,563
2021	65,000	22,138		87,138
2022	70,000	19,394		89,394
2023	70,000	16,463		86,463
2024	75,000	13,334		88,334
2025	80,000	9,894		89,894
2026	85,000	6,128		91,128
2027	90,000	2,081		92,081
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
	\$ 595,000	\$ 113,995	\$	708,995

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

S E R I E S - 2 0 1 1			
Due During Fiscal Years Ending September 30	Principal Due February 15	Interest Due February 15/ August 15	Total
2020	\$ 160,000	\$ 193,895	\$ 353,895
2021	170,000	187,828	357,828
2022	180,000	181,040	361,040
2023	195,000	173,345	368,345
2024	205,000	164,638	369,638
2025	215,000	155,188	370,188
2026	230,000	145,175	375,175
2027	245,000	133,875	378,875
2028	260,000	121,250	381,250
2029	275,000	107,875	382,875
2030	295,000	93,625	388,625
2031	310,000	78,500	388,500
2032	330,000	62,500	392,500
2033	355,000	45,375	400,375
2034	375,000	27,125	402,125
2035	355,000	8,875	363,875
2036			
2037			
2038			
2039			
	\$ 4,155,000	\$ 1,880,109	\$ 6,035,109

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

S E R I E S - 2 0 1 2			
Due During Fiscal Years Ending September 30	Principal Due February 15	Interest Due February 15/ August 15	Total
2020	\$ 160,000	\$ 164,297	\$ 324,297
2021	170,000	160,045	330,045
2022	180,000	155,317	335,317
2023	190,000	149,992	339,992
2024	200,000	143,992	343,992
2025	210,000	137,377	347,377
2026	220,000	130,172	350,172
2027	230,000	122,407	352,407
2028	245,000	113,972	358,972
2029	260,000	104,882	364,882
2030	270,000	95,140	365,140
2031	285,000	84,733	369,733
2032	300,000	73,690	373,690
2033	320,000	61,830	381,830
2034	335,000	49,305	384,305
2035	355,000	36,195	391,195
2036	370,000	22,281	392,281
2037	390,000	7,556	397,556
2038			
2039			
	\$ 4,690,000	\$ 1,813,183	\$ 6,503,183

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

SERIES - 2013 ROAD REFUNDING

Due During Fiscal Years Ending September 30	Principal Due February 15	Interest Due February 15/ August 15	Total
2020	\$ 660,000	\$ 348,212	\$ 1,008,212
2021	685,000	326,262	1,011,262
2022	705,000	301,987	1,006,987
2023	730,000	280,462	1,010,462
2024	755,000	258,187	1,013,187
2025	775,000	234,753	1,009,753
2026	805,000	209,562	1,014,562
2027	830,000	182,475	1,012,475
2028	860,000	153,417	1,013,417
2029	890,000	122,793	1,012,793
2030	925,000	90,453	1,015,453
2031	965,000	55,593	1,020,593
2032	1,000,000	18,750	1,018,750
2033			
2034			
2035			
2036			
2037			
2038			
2039			
	<u>\$ 10,585,000</u>	<u>\$ 2,582,906</u>	<u>\$ 13,167,906</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

S E R I E S - 2 0 1 3 R O A D

Due During Fiscal Years Ending September 30	Principal Due February 15	Interest Due February 15/ August 15	Total
2020	\$ 220,000	\$ 268,006	\$ 488,006
2021	230,000	260,681	490,681
2022	235,000	252,544	487,544
2023	245,000	244,144	489,144
2024	255,000	235,394	490,394
2025	265,000	226,294	491,294
2026	280,000	216,406	496,406
2027	290,000	205,537	495,537
2028	305,000	193,819	498,819
2029	320,000	181,119	501,119
2030	335,000	167,190	502,190
2031	355,000	152,097	507,097
2032	370,000	136,238	506,238
2033	390,000	119,614	509,614
2034	410,000	101,600	511,600
2035	435,000	82,059	517,059
2036	455,000	60,625	515,625
2037	480,000	37,250	517,250
2038	505,000	12,625	517,625
2039			
	<u>\$ 6,380,000</u>	<u>\$ 3,153,242</u>	<u>\$ 9,533,242</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

SERIES - 2014 REFUNDING

Due During Fiscal Years Ending September 30	Principal Due February 15	Interest Due February 15/ August 15	Total
2020	\$ 390,000	\$ 208,275	\$ 598,275
2021	370,000	196,875	566,875
2022	370,000	184,850	554,850
2023	360,000	172,075	532,075
2024	350,000	160,087	510,087
2025	350,000	147,400	497,400
2026	335,000	133,700	468,700
2027	335,000	120,300	455,300
2028	325,000	107,100	432,100
2029	315,000	94,300	409,300
2030	305,000	81,900	386,900
2031	295,000	69,900	364,900
2032	290,000	58,200	348,200
2033	1,310,000	26,200	1,336,200
2034			
2035			
2036			
2037			
2038			
2039			
	<u>\$ 5,700,000</u>	<u>\$ 1,761,162</u>	<u>\$ 7,461,162</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

S E R I E S - 2 0 1 5			
Due During Fiscal Years Ending September 30	Principal Due February 15	Interest Due February 15/ August 15	Total
2020	\$ 285,000	\$ 261,275	\$ 546,275
2021	290,000	255,162	545,162
2022	300,000	248,150	548,150
2023	310,000	240,138	550,138
2024	320,000	231,075	551,075
2025	330,000	221,325	551,325
2026	340,000	211,275	551,275
2027	355,000	200,850	555,850
2028	370,000	189,975	559,975
2029	380,000	178,487	558,487
2030	395,000	166,131	561,131
2031	410,000	152,794	562,794
2032	430,000	138,350	568,350
2033	445,000	123,038	568,038
2034	465,000	106,822	571,822
2035	485,000	89,603	574,603
2036	505,000	71,344	576,344
2037	525,000	52,032	577,032
2038	550,000	31,875	581,875
2039	575,000	10,781	585,781
	\$ 8,065,000	\$ 3,180,482	\$ 11,245,482

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

SERIES - 2015 ROAD

Due During Fiscal Years Ending September 30	Principal Due February 15	Interest Due February 15/ August 15	Total
2020	\$ 395,000	\$ 273,637	\$ 668,637
2021	410,000	265,587	675,587
2022	420,000	257,287	677,287
2023	435,000	248,737	683,737
2024	450,000	239,606	689,606
2025	460,000	229,650	689,650
2026	475,000	217,349	692,349
2027	490,000	202,875	692,875
2028	505,000	187,951	692,951
2029	520,000	172,576	692,576
2030	535,000	156,416	691,416
2031	550,000	139,119	689,119
2032	570,000	120,563	690,563
2033	590,000	100,988	690,988
2034	610,000	80,738	690,738
2035	630,000	59,419	689,419
2036	655,000	36,522	691,522
2037	680,000	12,325	692,325
2038			
2039			
	<u>\$ 9,380,000</u>	<u>\$ 3,001,345</u>	<u>\$ 12,381,345</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

SERIES - 2016 ROAD AND REFUNDING

Due During Fiscal Years Ending September 30	Principal Due February 15	Interest Due February 15/ August 15	Total
2020	\$ 505,000	\$ 266,687	\$ 771,687
2021	520,000	256,437	776,437
2022	535,000	245,887	780,887
2023	550,000	235,038	785,038
2024	560,000	223,938	783,938
2025	580,000	212,538	792,538
2026	590,000	200,838	790,838
2027	610,000	188,457	798,457
2028	630,000	174,888	804,888
2029	640,000	160,200	800,200
2030	670,000	144,225	814,225
2031	690,000	126,794	816,794
2032	710,000	107,975	817,975
2033	735,000	88,106	823,106
2034	760,000	66,600	826,600
2035	440,000	48,600	488,600
2036	455,000	35,175	490,175
2037	465,000	21,375	486,375
2038	480,000	7,200	487,200
2039			
	<u>\$ 11,125,000</u>	<u>\$ 2,810,958</u>	<u>\$ 13,935,958</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

S E R I E S - 2 0 1 7 R O A D			
Due During Fiscal Years Ending September 30	Principal Due February 15	Interest Due February 15/ August 15	Total
2020	\$ 555,000	\$ 338,881	\$ 893,881
2021	570,000	327,631	897,631
2022	580,000	316,131	896,131
2023	595,000	304,381	899,381
2024	610,000	292,332	902,332
2025	630,000	279,538	909,538
2026	650,000	265,531	915,531
2027	670,000	249,843	919,843
2028	685,000	232,478	917,478
2029	705,000	213,794	918,794
2030	725,000	193,225	918,225
2031	750,000	171,100	921,100
2032	770,000	148,300	918,300
2033	795,000	124,328	919,328
2034	825,000	99,016	924,016
2035	855,000	72,232	927,232
2036	880,000	44,038	924,038
2037	915,000	14,869	929,869
2038			
2039			
	\$ 12,765,000	\$ 3,687,648	\$ 16,452,648

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

S E R I E S - 2 0 1 8

Due During Fiscal Years Ending September 30	Principal Due February 15	Interest Due February 15/ August 15	Total
2020	\$ 325,000	\$ 346,000	\$ 671,000
2021	330,000	332,900	662,900
2022	335,000	319,600	654,600
2023	345,000	306,000	651,000
2024	355,000	293,775	648,775
2025	365,000	282,975	647,975
2026	375,000	271,875	646,875
2027	385,000	260,475	645,475
2028	395,000	248,775	643,775
2029	410,000	236,700	646,700
2030	425,000	224,175	649,175
2031	435,000	211,003	646,003
2032	450,000	196,894	646,894
2033	465,000	182,025	647,025
2034	485,000	166,284	651,284
2035	500,000	149,663	649,663
2036	515,000	132,213	647,213
2037	535,000	113,837	648,837
2038	1,465,000	78,837	1,543,837
2039	1,520,000	26,600	1,546,600
	<u>\$ 10,415,000</u>	<u>\$ 4,380,606</u>	<u>\$ 14,795,606</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 3,715,000	\$ 2,693,728	\$ 6,408,728
2021	3,810,000	2,591,546	6,401,546
2022	3,910,000	2,482,187	6,392,187
2023	4,025,000	2,370,775	6,395,775
2024	4,135,000	2,256,358	6,391,358
2025	4,260,000	2,136,932	6,396,932
2026	4,385,000	2,008,011	6,393,011
2027	4,530,000	1,869,175	6,399,175
2028	4,580,000	1,723,625	6,303,625
2029	4,715,000	1,572,726	6,287,726
2030	4,880,000	1,412,480	6,292,480
2031	5,045,000	1,241,633	6,286,633
2032	5,220,000	1,061,460	6,281,460
2033	5,405,000	871,504	6,276,504
2034	4,265,000	697,490	4,962,490
2035	4,055,000	546,646	4,601,646
2036	3,835,000	402,198	4,237,198
2037	3,990,000	259,244	4,249,244
2038	3,000,000	130,537	3,130,537
2039	2,095,000	37,381	2,132,381
	<u>\$ 83,855,000</u>	<u>\$ 28,365,636</u>	<u>\$ 112,220,636</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Description	Original Bonds Issued	Bonds Outstanding October 1, 2018
Denton County Fresh Water Supply District No. 7 Unlimited Tax Road Bonds - Series 2010	\$ 1,900,000	\$ 1,620,000
Denton County Fresh Water Supply District No. 7 Unlimited Tax Bonds - Series 2011	5,510,000	4,775,000
Denton County Fresh Water Supply District No. 7 Unlimited Tax Bonds - Series 2012	5,250,000	4,840,000
Denton County Fresh Water Supply District No. 7 Unlimited Tax Road Refunding Bonds - Series 2013	13,000,000	11,230,000
Denton County Fresh Water Supply District No. 7 Unlimited Tax Road Bonds - Series 2013	7,000,000	6,595,000
Denton County Fresh Water Supply District No. 7 Unlimited Tax Utility System Refunding Bonds - Series 2014	6,585,000	6,095,000
Denton County Fresh Water Supply District No. 7 Unlimited Tax Utility System Bonds - Series 2015	8,620,000	8,345,000
Denton County Fresh Water Supply District No. 7 Unlimited Tax Road Bonds - Series 2015	11,200,000	9,765,000

See accompanying independent auditor's report.

Current Year Transactions					Paying Agent
Bonds Sold	Retirements		Bonds Outstanding September 30, 2019		
	Principal	Interest			
\$	\$ 1,025,000	\$ 50,634	\$ 595,000	The Bank of New York Mellon Trust Company, N.A. Dallas TX	
	620,000	210,337	4,155,000	The Bank of New York Mellon Trust Company, N.A. Dallas TX	
	150,000	168,173	4,690,000	The Bank of New York Mellon Trust Company, N.A. Dallas TX	
	645,000	364,525	10,585,000	The Bank of New York Mellon Trust Company, N.A. Dallas TX	
	215,000	274,531	6,380,000	The Bank of New York Mellon Trust Company, N.A. Dallas TX	
	395,000	220,050	5,700,000	BOKF, N.A. dba Bank of Texas, Dallas, TX	
	280,000	266,925	8,065,000	BOKF, N.A. dba Bank of Texas, Dallas, TX	
	385,000	281,438	9,380,000	BOKF, N.A. dba Bank of Texas, Dallas, TX	
				BOKF, N.A.	

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Description	Original Bonds Issued	Bonds Outstanding October 1, 2018
Denton County Fresh Water Supply District No. 7		
Unlimited Tax Road and Refunding Bonds - Series 2016	\$ 12,385,000	\$ 11,615,000
Denton County Fresh Water Supply District No. 7		
Unlimited Tax Road Bonds - Series 2017	13,820,000	13,310,000
Denton County Fresh Water Supply District No. 7		
Unlimited Tax Utility System Bonds - Series 2018	<u>10,650,000</u>	<u>10,650,000</u>
TOTAL	<u><u>\$ 95,920,000</u></u>	<u><u>\$ 88,840,000</u></u>

Bond Authority:	<u>Utility Bonds</u>	<u>Road Bonds</u>
Amount Authorized by Voters	\$ 39,918,259	\$ 66,236,904
Amount Issued	<u>36,780,000</u>	<u>61,540,000</u>
Remaining to be Issued	<u><u>\$ 3,138,259</u></u>	<u><u>\$ 4,696,904</u></u>

Note: The District has \$141,847,745 and \$53,292,389 in authorized but unissued bonds for refunding previously issued road and utility bonds, respectively.

Debt Service Fund cash balances as of September 30, 2019:	<u>\$ 1,769,839</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u><u>\$ 5,611,032</u></u>

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding September 30, 2019	Paying Agent
	Principal	Interest		
\$	\$ 490,000	\$ 276,638	\$ 11,125,000	BOKF, N.A. dba Bank of Texas, Dallas, TX
	545,000	349,880	12,765,000	BOKF, N.A. dba Bank of Texas, Dallas, TX
	<u>235,000</u>	<u>447,675</u>	<u>10,415,000</u>	BOKF, N.A. dba Bank of Texas, Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 4,985,000</u>	<u>\$ 2,910,806</u>	<u>\$ 83,855,000</u>	

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 1,046,982	\$ 899,622	\$ 762,163
Water Service	1,460,601	1,633,282	1,357,531
Wastewater Service	1,022,205	975,463	901,573
Solid Waste Revenue	404,350	372,222	339,178
Permit and Inspection Fees	300,355	342,785	370,312
Franchise Fees	134,063	131,402	116,564
Facility Connection Fees	727,660	797,784	928,810
Investment and Miscellaneous Revenues	242,307	152,288	144,583
TOTAL REVENUES	\$ 5,338,523	\$ 5,304,848	\$ 4,920,714
EXPENDITURES			
Professional Fees	\$ 122,557	\$ 131,430	\$ 105,251
Contracted Services	412,387	375,852	342,991
Utilities	93,643	96,524	85,749
Purchased Water and Wastewater Services	1,693,833	1,907,850	1,788,277
Repairs and Maintenance	867,497	968,142	721,436
Personnel and Other	835,312	671,129	643,807
Capital Outlay	242,996	350,120	140,720
TOTAL EXPENDITURES	\$ 4,268,225	\$ 4,501,047	\$ 3,828,231
NET CHANGE IN FUND BALANCE	\$ 1,070,298	\$ 803,801	\$ 1,092,483
BEGINNING FUND BALANCE	6,888,058	6,084,257	4,991,774
ENDING FUND BALANCE	\$ 7,958,356	\$ 6,888,058	\$ 6,084,257

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 612,891	\$ 457,954	19.7 %	17.0 %	15.6 %	14.3 %	10.4 %
1,274,193	1,122,943	27.4	30.8	27.6	29.4	25.4
820,910	705,506	19.1	18.4	18.3	18.9	16.0
300,387	252,975	7.6	7.0	6.9	6.9	5.7
332,711	462,896	5.6	6.5	7.5	7.7	10.5
100,055	116,709	2.5	2.5	2.4	2.3	2.6
788,978	1,197,900	13.6	15.0	18.9	18.2	27.1
103,349	106,341	4.5	2.8	2.8	2.3	2.3
<u>\$ 4,333,474</u>	<u>\$ 4,423,224</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 97,034	\$ 104,731	2.3 %	2.5 %	2.2 %	2.2 %	2.4 %
284,282	241,553	7.7	7.1	7.0	6.6	5.5
88,037	85,685	1.8	1.8	1.7	2.0	1.9
1,730,454	1,660,614	31.7	36.0	36.3	39.9	37.5
717,926	728,634	16.2	18.3	14.7	16.6	16.5
611,688	569,834	15.6	12.7	13.1	14.1	12.9
771,403	35,043	4.6	6.6	2.9	17.8	0.8
<u>\$ 4,300,824</u>	<u>\$ 3,426,094</u>	<u>79.9 %</u>	<u>85.0 %</u>	<u>77.9 %</u>	<u>99.2 %</u>	<u>77.5 %</u>
\$ 32,650	\$ 997,130	<u>20.1 %</u>	<u>15.0 %</u>	<u>22.1 %</u>	<u>0.8 %</u>	<u>22.5 %</u>
<u>4,959,124</u>	<u>3,961,994</u>					
<u>\$ 4,991,774</u>	<u>\$ 4,959,124</u>					

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 6,109,350	\$ 5,957,378	\$ 5,272,347
Investment and Miscellaneous Revenues	<u>46,969</u>	<u>8,483</u>	<u>1,786</u>
TOTAL REVENUES	<u>\$ 6,156,319</u>	<u>\$ 5,965,861</u>	<u>\$ 5,274,133</u>
EXPENDITURES			
Debt Service Interest, Fees, and Administration	\$ 2,933,469	\$ 2,481,744	\$ 2,302,972
Debt Service Principal	4,985,000	3,110,000	2,140,000
Bond Issuance Costs	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>\$ 7,918,469</u>	<u>\$ 5,591,744</u>	<u>\$ 4,442,972</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (1,762,150)</u>	<u>\$ 374,117</u>	<u>\$ 831,161</u>
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$	\$	\$
Transfer to Refunded Bond Escrow Agent			
Bond Discount			
Bond Premium	<u> </u>	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ (1,762,150)	\$ 374,117	\$ 831,161
BEGINNING FUND BALANCE	<u>3,450,069</u>	<u>3,075,952</u>	<u>2,244,791</u>
ENDING FUND BALANCE	<u>\$ 1,687,919</u>	<u>\$ 3,450,069</u>	<u>\$ 3,075,952</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>2,262</u>	<u>2,154</u>	<u>1,700</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,753</u>	<u>1,665</u>	<u>1,664</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2016</u>	<u>2015</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 4,448,349	\$ 3,524,251	99.2 %	99.9 %	99.9 %	99.9 %	99.9 %
814	299	0.8	0.1	0.1	0.1	0.1
<u>\$ 4,449,163</u>	<u>\$ 3,524,550</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 2,067,832	\$ 1,739,306	47.6 %	41.6 %	43.7 %	46.5 %	49.4 %
2,010,000	1,005,000	81.0	52.1	40.6	45.2	28.5
400,913	551,107				9.0	15.6
<u>\$ 4,478,745</u>	<u>\$ 3,295,413</u>	<u>128.6 %</u>	<u>93.7 %</u>	<u>84.3 %</u>	<u>100.7 %</u>	<u>93.5 %</u>
\$ (29,582)	\$ 229,137	<u>(28.6) %</u>	<u>6.3 %</u>	<u>15.7 %</u>	<u>(0.7) %</u>	<u>6.5 %</u>
\$ 4,385,000	\$ 6,698,148					
(4,081,987)	(6,561,158)					
(7,984)						
	258,960					
<u>\$ 295,029</u>	<u>\$ 395,950</u>					
\$ 265,447	\$ 625,087					
1,979,344	1,354,257					
<u>\$ 2,244,791</u>	<u>\$ 1,979,344</u>					
1,799	1,679					
1,504	1,370					

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2019

District Mailing Address - Denton County Fresh Water Supply District No. 7
c/o General Manager
2650 FM 407, Suite 125
Bartonville, TX 76226

District Telephone No. - (940) 728-5050

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended September 30, 2019	Expense Reimbursements for the year ended September 30, 2019	<u>Title</u>
Randy Fogle	05/16 05/20 (Elected)	\$ 2,850	\$ 445	President
Andrew Kloser	05/18 05/22 (Elected)	\$ 1,650	\$ 257	Vice President
Stephen Spence	05/16 05/20 (Elected)	\$ 2,100	\$ 328	Secretary
Todd Beggs	05/16 05/20 (Elected)	\$ 2,700	\$ 421	Treasurer
David Ware	05/18 05/22 (Elected)	\$ 2,250	\$ 351	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: September 11, 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. 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. 7
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2019

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2019</u>	<u>Title</u>
Crawford & Jordan, LLP	01/18/01	\$ 75,763	General Counsel
McCall Gibson Swedlund Barfoot PLLC	08/14/14	\$ 16,000 \$ 16,150	Audit Related AUP and Other
Winstead PC		\$ 4,100	Bond Counsel
Huitt-Zollars	09/22/00	\$ 26,772	Engineer
Hilltop Securities Inc.	10/18/01	\$ 201	Financial Advisor

See accompanying independent auditor's report.

