

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2009

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ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2009

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Denton County Fresh Water Supply District No. 1-B (the "District"), as of and for the year ended September 30, 2009, which collectively comprise the District's basic financial statements as listed in the preceding table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted as promulgated within 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The Management's Discussion and Analysis on pages 3 through 7 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

February 9, 2010

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Our discussion and analysis of Denton County Fresh Water Supply District No. 1-B's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2009. Please read it in conjunction with the District's financial statements, which begin on page 8.

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 Assets and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. This report also includes other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The first of the government-wide statements is the Statement of Net Assets. This information is found in the Statement of Net Assets column on pages 8 and 9. The Statement of Net Assets is the District-wide statement of its financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities on pages 11 and 12 reports how the District's net assets 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-B
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources accumulated for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources segregated 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 Assets on page 10 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities on page 13 explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 through 30 in this report.

OTHER INFORMATION

In addition to the basic 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.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$3,211,463 as of September 30, 2009.

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

	Summary of Changes in the Statement of Net Assets		
	2009	2008	Change Positive (Negative)
Current and Other Assets	\$ 2,045,780	\$ 1,280,295	\$ 765,485
Cash with Other Governmental Unit	1,574,760	1,574,760	
Capital Assets	<u>366,589</u>	<u>301,245</u>	<u>65,344</u>
Total Assets	<u>\$ 3,987,129</u>	<u>\$ 3,156,300</u>	<u>\$ 830,829</u>
Other Liabilities	<u>\$ 775,666</u>	<u>\$ 692,120</u>	<u>\$ (83,546)</u>
Total Liabilities	<u>\$ 775,666</u>	<u>\$ 692,120</u>	<u>\$ (83,546)</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ (26,698)	\$ (14,414)	\$ (12,284)
Restricted	2,088,841	1,894,219	194,622
Unrestricted	<u>1,149,320</u>	<u>584,375</u>	<u>564,945</u>
Total Net Assets	<u>\$ 3,211,463</u>	<u>\$ 2,464,180</u>	<u>\$ 747,283</u>
		(1)	

(1) As Adjusted, Note 13

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the District's operations for the years ended September 30, 2009, and September 30, 2008. The District's net assets increased by \$747,283, accounting for a 30.3% increase in net assets.

	Summary of Changes in the Statement of Activities		
	2009	2008	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,417,666	\$ 2,364,688	\$ 52,978
Charges for Services	1,366,734	1,224,473	142,261
Other Revenues	<u>162,337</u>	<u>134,894</u>	<u>27,443</u>
Total Revenues	\$ 3,946,737	\$ 3,724,055	\$ 222,682
 Expenses for Services	 <u>3,199,454</u>	 <u>3,398,538</u>	 <u>199,084</u>
Change in Net Assets	\$ 747,283	\$ 325,517	\$ 421,766
Net Assets, Beginning of Year	<u>2,464,180</u>	<u>2,138,663</u>	<u>325,517</u>
Net Assets, End of Year	<u>\$ 3,211,463</u>	<u>\$ 2,464,180</u>	<u>\$ 747,283</u>

(1)

(1) As Adjusted, Note 13

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2009, were \$3,393,793, an increase of \$757,645 from the prior year.

The General Fund fund balance increased by \$564,403. Service revenues and property tax revenues exceeded the costs of operating the District's water and wastewater systems.

The Debt Service Fund fund balance increased by \$193,241, primarily due to the property tax revenues exceeding the cost of assessing and collecting the taxes and the current year contract tax payment to the City of Lewisville.

The Capital Projects Fund fund balance increased by \$1.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual positive variance for the year was \$140,086 more than budgeted. See the budget to actual comparison on page 32.

CAPITAL ASSETS

A portion of the District's water, wastewater and drainage facilities were paid for from proceeds of the City of Lewisville – Castle Hills Public Improvement District No. 1 bond proceeds. The City of Lewisville has recorded these assets on the books of the City. The District also shares in the cost of the capital assets that Denton County Fresh Water Supply District No. 1-A purchases and records on its books.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2009	2008	Increase (Decrease)
Capital Assets, Net of Accumulated Depreciation:			
Investment in Shared Lift Station	<u>\$ 366,589</u>	<u>\$ 301,245</u>	<u>\$ 65,344</u>

Additional information on the District's capital assets can be found in Note 4 on pages 21 and 22 of this report.

CONTACTING THE DISTRICT'S FINANCIAL 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-B, c/o K & L Gates, LLP, 1717 Main Street, Suite 2800, Dallas, TX 75201.

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DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2009

	General Fund	Debt Service Fund
ASSETS		
Cash, Note 3	\$ 843,229	\$ 40,876
Investments, Note 3	604,326	466,864
Cash with Other Governmental Unit, Note 6		1,574,760
Receivables:		
Property Taxes	2,759	6,082
Service Accounts (Net of Allowance for Doubtful Accounts of \$-0-)	33,025	
Accrued Interest	2,636	
Other	37,003	
Prepaid Costs	8,721	
Capital Assets (Net of Accumulated Depreciation), Note 4		
TOTAL ASSETS	\$ 1,531,699	\$ 2,088,582
LIABILITIES		
Accounts Payable	\$ 63,274	\$
Due to Other Governmental Units	129,032	
Security Deposits	25,600	
Deferred Property Tax Revenue	2,759	6,082
TOTAL LIABILITIES	\$ 220,665	\$ 6,082
FUND BALANCES/NET ASSETS		
FUND BALANCES		
Reserved for Authorized Construction:		
Net Investment Revenues	\$	\$
Reserved for PID 1 Reserve Fund, Note 6		1,574,760
Reserved for Contract Debt Obligations		507,740
Reserved for Prepaid Costs	8,721	
Unreserved – Undesignated	1,302,313	
TOTAL FUND BALANCES	\$ 1,311,034	\$ 2,082,500
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,531,699	\$ 2,088,582
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		
Restricted for:		
Capital Projects		
Debt Service		
Unrestricted		
TOTAL NET ASSETS		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Assets
\$ 259	\$ 884,364	\$	\$ 884,364
	1,071,190		1,071,190
	1,574,760		1,574,760
	8,841		8,841
	33,025		33,025
	2,636		2,636
	37,003		37,003
	8,721		8,721
		366,589	366,589
<u>\$ 259</u>	<u>\$ 3,620,540</u>	<u>\$ 366,589</u>	<u>\$ 3,987,129</u>
\$	\$ 63,274	\$	\$ 63,274
	129,032	557,760	686,792
	25,600		25,600
	8,841	(8,841)	
<u>\$ -0-</u>	<u>\$ 226,747</u>	<u>\$ 548,919</u>	<u>\$ 775,666</u>
\$ 259	\$ 259	\$ (259)	\$
	1,574,760	(1,574,760)	
	507,740	(507,740)	
	8,721	(8,721)	
	1,302,313	(1,302,313)	
<u>\$ 259</u>	<u>\$ 3,393,793</u>	<u>\$ (3,393,793)</u>	<u>\$ -0-</u>
<u>\$ 259</u>	<u>\$ 3,620,540</u>		
		\$ (26,698)	\$ (26,698)
		259	259
		2,088,582	2,088,582
		1,149,320	1,149,320
		<u>\$ 3,211,463</u>	<u>\$ 3,211,463</u>

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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009**

Total Fund Balances – Governmental Funds	\$ 3,393,793
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	366,589
Governmental funds do not record a long term liability to other governmental units for the advances made on behalf of the District for operations and project costs. However, in the Statement of Net Assets, the liability for these advances is recorded.	(557,760)
Deferred tax revenues for the 2008 and prior tax levies became part of recognized revenue in the governmental activities of the District.	<u>8,841</u>
Total Net Assets – Governmental Activities	<u>\$ 3,211,463</u>

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

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**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 756,441	\$ 1,659,303
Water Service	841,225	
Wastewater Service	251,369	
Solid Waste Revenue	114,030	
Penalty and Interest	13,135	16,426
Permits and Inspections	45,025	
Franchise Fees	85,521	
Sales Tax Revenues	3	
Investment Revenues	16,761	127,663
Miscellaneous Revenues	17,912	
TOTAL REVENUES	\$ 2,141,422	\$ 1,803,392
EXPENDITURES/EXPENSES		
Service Operations:		
Salaries	\$ 250,166	\$
Professional Fees	88,878	4,739
Contracted Services	277,810	20,230
Purchased Water Service	443,088	
Purchased Wastewater Service	85,580	
Utilities	45,195	
Repairs and Maintenance	161,174	
Depreciation, Note 4		
Other	206,452	13,170
Capital Outlay	18,676	
Debt Service:		
Contract Tax Obligation - City of Lewisville, Note 6		1,572,012
TOTAL EXPENDITURES/EXPENSES	\$ 1,577,019	\$ 1,610,151
NET CHANGE IN FUND BALANCES	\$ 564,403	\$ 193,241
CHANGE IN NET ASSETS		
FUND BALANCES/NET ASSETS, AS ADJUSTED, NOTE 13 – OCTOBER 1, 2008	746,631	1,889,259
FUND BALANCES/NET ASSETS – SEPTEMBER 30, 2009	\$ 1,311,034	\$ 2,082,500

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,415,744	\$ 1,922	\$ 2,417,666
	841,225		841,225
	251,369		251,369
	114,030		114,030
	29,561		29,561
	45,025		45,025
	85,521		85,521
	3		3
1	144,425		144,425
	<u>17,912</u>		<u>17,912</u>
<u>\$ 1</u>	<u>\$ 3,944,815</u>	<u>\$ 1,922</u>	<u>\$ 3,946,737</u>
\$	\$ 250,166	\$	\$ 250,166
	93,617		93,617
	298,040		298,040
	443,088		443,088
	85,580		85,580
	45,195		45,195
	161,174		161,174
		12,284	12,284
	219,622		219,622
	18,676		18,676
	<u>1,572,012</u>		<u>1,572,012</u>
<u>\$ -0-</u>	<u>\$ 3,187,170</u>	<u>\$ 12,284</u>	<u>\$ 3,199,454</u>
\$ 1	\$ 757,645	\$ (757,645)	\$
		747,283	747,283
258	2,636,148	(171,968)	2,464,180
<u>\$ 259</u>	<u>\$ 3,393,793</u>	<u>\$ (182,330)</u>	<u>\$ 3,211,463</u>

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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
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, 2009**

Net Change in Fund Balances - Governmental Funds	\$ 757,645
Amounts reported for governmental activities in the Statement of Activities are different because:	
In the Statement of Net Assets, capital assets are depreciated over the estimated useful life of the asset and depreciation expense is recorded in the Statement of Activities.	(12,284)
Governmental funds report tax revenue when it is collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	<u>1,922</u>
Change in Net Assets - Governmental Activities	<u>\$ 747,283</u>

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1. CREATION OF DISTRICT

By the terms of an election held on January 17, 1983, voters approved the creation of the Denton County Fresh Water Supply District No. 1, now known as Denton County Fresh Water Supply District No. 1-A (District No. 1-A). As a result of another election held on August 8, 1987, the voters approved 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-B (the "District") 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, parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The District has contracted with District No. 1-A to operate the utility system within the District.

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. In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The Governmental Accounting Standards Board has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit's board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The District was created as an independent municipality. The District does not meet the criteria for inclusion as a component unit of any entity nor does any other entity meet the component unit criteria for inclusion in the District's basic financial statements.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34-Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments.

GASB Statement No. 34 established standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three components: Invested in Capital Assets, Net of Related Debt; Restricted; and Unrestricted. These classifications are defined as follows:

- Invested in Capital Assets, Net of Related Debt – This component of net assets 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 Assets – This component of net assets consists of external constraints placed on the use of net 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 Assets – This component of net assets consists of net assets that do not meet the definition of "Restricted" or "Invested in Capital Assets, Net of Related Debt."

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 Assets and the Statement of Activities display information about the District as a whole. The District's Statement of Net Assets 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 Assets 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 Assets.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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 major governmental funds.

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

Debt Service Fund - To account for ad valorem taxes and financial resources accumulated for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources segregated 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 collectible 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 collectible within sixty (60) days after 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. 1-B
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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 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 another financing source or use. 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.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Assets. 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 an expenditure 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:

	<u>Years</u>
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
Road System	10-50
All Other Equipment	3-20

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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

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 Assets 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 assets, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net assets.

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 fund types report increases and decreases in available spendable resources. Fund balances are included on the Balance Sheet as follows:

Reserved:

To indicate fund equity which is legally segregated for a specific future use.

Unreserved:

Designated - To indicate fund equity for which the District has made tentative plans.

Undesignated - To indicate fund equity which is available for use in future periods.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 Authority 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 \$1,112,325 and the bank balance was \$1,102,267. Of the bank balance, \$500,000 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third party depository.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Assets at September 30, 2009, as listed below:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND ⁽¹⁾	\$ 843,229	\$ 604,326	\$ 1,447,555
DEBT SERVICE FUND	40,876	466,864	507,740
CAPITAL PROJECTS FUND	<u>259</u>	<u> </u>	<u>259</u>
TOTAL DEPOSITS	<u>\$ 884,364</u>	<u>\$ 1,071,190</u>	<u>\$ 1,955,554</u>

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

- (1) Cash of the General Fund is included in a consolidated cash account maintained by District No. 1-A.

Investments

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

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2009, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years		
		Less Than 1	1-5	6-10
<u>GENERAL FUND -</u> Certificate of Deposit	\$ 604,326	\$ 604,326	\$	\$
<u>DEBT SERVICE FUND -</u> Certificates of Deposit	466,864	466,864	_____	_____
TOTAL INVESTMENTS	<u>\$ 1,071,190</u>	<u>\$ 1,071,190</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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.

NOTE 4. CAPITAL ASSETS

The District's water, wastewater and drainage facilities were funded from proceeds of the City of Lewisville – Castle Hills Public Improvement District No. 1 bond proceeds, (see Note 6). The City of Lewisville has recorded these assets on the books of the City. The District also shares in the cost of capital assets that District No. 1-A purchases and records on its books.

On September 30, 2005, the District entered into a Cost Sharing Agreement with District No. 1-D. The agreement provides for the District to share in the cost of certain facilities constructed within District No. 1-D that provides utilities to 14 lots within the District. The agreed cost for providing the facilities was \$178,430. Since these facilities are recorded and depreciated by the City of Lewisville, the District has not recorded the facilities.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 4. CAPITAL ASSETS (Continued)

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

The District	36.69%
District No. 1-C	0.22
District No. 1-D	42.97
District No. 1-E	<u>20.12</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.

The District’s purchase of the share of capacity in the lift station was funded by District 1-A in the amount of \$393,287. As of September 30, 2009, this amount is recorded as a liability to District 1-A. This asset is recorded as a capital asset of the District and is being amortized over the term of the Cost Sharing Agreement.

Capital asset activity for the year ended September 30, 2009:

	October 1, 2008	Additions	September 30, 2009
Capital Assets Subject to Depreciation			
Investment in Shared Lift Station Facilities	<u>\$ 315,659</u>	<u>\$ 77,628</u>	<u>\$ 393,287</u>
Less Accumulated Depreciation			
Investment in Shared Lift Station Facilities	<u>\$ 14,414</u>	<u>\$ 12,284</u>	<u>\$ 26,698</u>
Total Depreciable Capital Assets, Net of Depreciation	<u>\$ 301,245</u>	<u>\$ 65,344</u>	<u>\$ 366,589</u>

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 5. MAINTENANCE TAX

On August 10, 1996, voters of the District approved the levy and collection of a maintenance tax in an unlimited amount per \$100 of assessed valuation of taxable property within the District. The maintenance tax will be used for maintenance purposes to include funds for planning, maintaining, repairing and operating all necessary plants, properties, facilities and improvements of the District and for proper services, engineering and legal fees, and operational and administrative costs in accordance with Section 49.107 of the Texas Water Code. During the fiscal year ended September 30, 2009, the District levied a maintenance tax at the rate of \$0.2818 per \$100 of assessed valuation, which resulted in a tax levy of \$757,113 on an adjusted taxable valuation of \$268,625,296.

NOTE 6. AMENDED AND RESTATED JOINT UTILITY CONTRACT

On July 15, 1996, the District, Denton County Fresh Water Supply District No. 1-A (District No. 1-A), and the City of Lewisville (Lewisville) executed an Amended and Restated Joint Utility Contract. On December 12, 1997, this agreement was amended with Amendment No. 1. The contract states that Lewisville will proceed with financing utility and road facilities within the District through the sale of \$20,922,740 of Public Improvement District (PID1) bonds. District No. 1-A will have primary responsibility as Project Manager and shall perform its duties in accordance with an agreement dated March 14, 1997. District No. 1-A is responsible for designating the consulting engineer on the project and approves the projects along with Lewisville.

District No. 1-A serves as Project Manager for the purpose of easement and facilities site negotiation and acquisition as well as the inspection and supervision of the construction of facilities. District No. 1-A further agrees that adequate water distribution, wastewater collection and treatment capacity, storm sewer and drainage capacity and road system capacity shall be reserved in the Project-Wide Facilities to accommodate the Castle Hills Facilities.

The parties to the agreement agree that in accordance with Section 49.068 of the Texas Water Code, as amended, District Nos. 1-A and 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 PID1 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-B
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 6. AMENDED AND RESTATED JOINT UTILITY CONTRACT (Continued)

In order to finance the facilities being constructed with bond proceeds being issued by PID1 and Lewisville, the District agreed to pay Lewisville the amount necessary to repay the debt service requirements and costs of PID1 Bonds as they mature. The District will commit 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 PID1 Bonds. Lewisville will calculate the total amount of payments to be made on the PID1 Bonds on the following March 1, after application of the available reserves from proceeds of the PID1 Bonds and will calculate an assessment, if necessary, on all assessable property within the PID1, which if 95% of such assessments are collected, would be sufficient to make the entire annual payment to

Lewisville. Lewisville will notify the District of the calculation of the Annual Assessment by September 1 of each year proceeding the above-referenced March 1. During the current fiscal year, the District made contract tax payments of \$1,572,012 to the City of Lewisville in accordance with the bond covenants. As of the fiscal year end, the District has funded \$1,574,760 into the Reserve Fund. The Reserve Fund is maintained by PID1.

PID 1
 SERIES - 1998

Fiscal Year Ending	Principal Due September 1	Interest Due March 1/ September 1	Total
2010	\$ 655,000	\$ 915,762	\$ 1,570,762
2011	685,000	883,013	1,568,013
2012	725,000	846,194	1,571,194
2013	765,000	807,225	1,572,225
2014	805,000	766,106	1,571,106
2015	850,000	722,838	1,572,838
2016	895,000	677,150	1,572,150
2017	945,000	625,240	1,570,240
2018	1,000,000	570,430	1,570,430
2019	1,060,000	512,430	1,572,430
2020	1,120,000	450,950	1,570,950
2021	1,185,000	385,990	1,570,990
2022	1,250,000	317,260	1,567,260
2023	1,330,000	244,760	1,574,760
2024	1,405,000	167,620	1,572,620
2025	1,485,000	86,130	1,571,130
	<u>\$ 16,160,000</u>	<u>\$ 8,979,098</u>	<u>\$ 25,139,098</u>

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 6. AMENDED AND RESTATED JOINT UTILITY CONTRACT (Continued)

On February 1 following the date of receipt of written notification of the Annual Assessment, the District will certify to Lewisville the amount of all taxes collected. Lewisville will, if necessary, then impose an assessment with PID1 sufficient to pay the debt service requirement on the PID1 Bonds as they come due. The parties to the agreement acknowledged that the tax levy would be contingent upon a one-time approval by the voters within the District. Such election occurred on August 10, 1996, and approved the levy and collection of said tax.

During the year ended September 30, 2009, the District levied an ad valorem contract tax at the rate of \$0.6182 per \$100 of assessed valuation, which resulted in a tax levy of \$1,660,921 on the adjusted taxable valuation of \$268,625,296.

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

The District's tax calendar is as follows:

Levy Date - October 1, or 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 7. 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 to provide treated water to participants in the UTRWD. Denton County Fresh Water Supply District No. 1-A has assumed the obligations of District No. 1 under the terms of this agreement and the District has ratified that assumption of the 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 the 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 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-B
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 7. 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 .50 million gallons of water per day (MGD) and 3.0 MGD for regular service. Each member can adjust the regular service amount upon mutual agreement of the members. A determination of demand on an annual basis that takes into account actual usage for the most recent five (5) water years and projected needs for the next water year will be made. Payments will be comprised of three components including an Operation and Maintenance Component, a Capital Component and a special reserve for operation and maintenance cost of the system. Annual budgets will be prepared for the system. The District will pay its part of the annual requirement in monthly installments.

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

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

On March 8, 1995, the Upper Trinity Regional Water District executed an agreement with the Denton County Fresh Water Supply District No. 1 (District No. 1) to provide for the supply of non-potable water to District No. 1. Denton County Fresh Water Supply District No. 1-A has assumed the obligations of District No. 1 under the terms of this agreement and the District has ratified the actions of District No. 1-A. District No. 1 desired to develop the ability to have a dual delivery system to provide non-potable water and the UTRWD agreed to provide such a water source. District No. 1-A has agreed to make sufficient payments to assure adequate funds to fulfill its obligations under the contract terms. The minimum capacity reserved for District No. 1-A is 3.35 million gallons per day (MGD).

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 7. 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. District No. 1-A 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.

Wholesale Water Supply Agreement with the City of Lewisville

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

District No. 1-A will be charged a two-part rate, consisting of a volume rate and a demand rate (Charges), based on the City Wholesale Service Area's treated water consumption and Maximum Day Demand. The initial demand capacity requested from the City is 300,000 gallons per day. Effective the date of this agreement, the initial volume rate is \$1.49 per 1,000 gallons and demand rate of \$299,160 per million gallons per day, paid monthly.

The term of this agreement ends the earlier of August 18, 2032, or such date specified for District 1-A's annexation by the City.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 8. 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-A (District No. 1-A) effective October 1, 1997. On September 18, 2001, effective October 1, 2001, the District executed an Amended Operating Agreement. District No. 1-A is responsible for operating, maintaining, and managing the Facilities to be constructed within the boundaries of the once defined Denton Count Fresh Water Supply District No. 1 which now includes Districts 1-A, 1-B, 1-C, 1-D, 1-E, 1-F,1-G and 1-H.

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

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

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

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 8. OPERATING AGREEMENT (Continued)

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

NOTE 9. 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 the years since the District's creation, the Developer has advanced monies to the District and has funded certain costs directly to vendors. In the 2002 fiscal year, the District reimbursed \$1,303,937 to the Developer for a portion of the amounts directly advanced on behalf of the District in prior fiscal years.

As of September 30, 2009, the Developer has indicated that \$1,312,522 is still outstanding for amounts advanced and funded for the benefit of the District. These costs includes amounts for letter-of-credit fees related to the PID 1 bonds that are outstanding or costs associated with renegotiating the letter-of-credit fees, boundary survey costs, legal fees and developer advances. The District has questioned these costs and has hired a consultant to assist in the determination of the validity of the costs. This amount has not been recorded as a liability in the Statement of Net Assets.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 10. 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.

As of September 30, 2009, there is no pending or threatened litigation against the District.

NOTE 11. BOND ELECTION

At an election held within the District on January 17, 1998, voters approved for the District to sell up to \$20,444,212 in bonds.

NOTE 12. DUE TO OTHER GOVERNMENTAL UNIT

In addition to the \$393,287 recorded in Note 4 for the share of capacity in the lift station, the District has also recorded \$12,163 for their share of the pump station and \$152,310 for general operations due of District No. 1-A. The total amount due to District No. 1-A of \$557,760 has been recorded in the Statement of Net Assets.

NOTE 13. PRIOR PERIOD ADJUSTMENT

During the current fiscal year, the District adjusted its beginning Net Assets to reclassify the amount previously recorded as a due to Developer as a contingent liability, see Note 9. In addition, the District recorded an additional amount due to District No. 1-A for its share of prior year pump station costs and operations costs of District No. 1-A, see Note 12. The effect of these changes resulted in an increase in the beginning net assets of \$686,088

Net Assets Balance – October 1, 2008	\$ 1,778,092
Add: Effect of reclassifying due to Developer and recording additional amounts due to District No. 1-A	<u>686,088</u>
Net Assets Balance – October 1, 2008, As Adjusted	<u>\$ 2,464,180</u>

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2009

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 716,480	\$ 756,441	\$ 39,961
Water Service	824,964	841,225	16,261
Wastewater Service	186,963	251,369	64,406
Solid Waste Revenue	121,588	114,030	(7,558)
Penalty and Interest	13,454	13,135	(319)
Permit and Inspections	34,626	45,025	10,399
Franchise Fees	122,806	85,521	(37,285)
Sales Tax Revenue		3	3
Investment Revenues	20,000	16,761	(3,239)
Miscellaneous Revenues	13,390	17,912	4,522
TOTAL REVENUES	\$ 2,054,271	\$ 2,141,422	\$ 87,151
EXPENDITURES			
Service Operations:			
Salaries	\$ 304,217	\$ 250,166	\$ 54,051
Professional Fees	47,150	88,878	(41,728)
Contracted Services	236,712	277,810	(41,098)
Purchased Water Service	440,719	443,088	(2,369)
Purchased Wastewater Service	91,151	85,580	5,571
Utilities	42,537	45,195	(2,658)
Repairs and Maintenance	162,418	161,174	1,244
Other	282,393	206,452	75,941
Capital Outlay	22,657	18,676	3,981
TOTAL EXPENDITURES	\$ 1,629,954	\$ 1,577,019	\$ 52,935
NET CHANGE IN FUND BALANCE	\$ 424,317	\$ 564,403	\$ 140,086
FUND BALANCE – OCTOBER 1, 2008	746,631	746,631	
FUND BALANCE – SEPTEMBER 30, 2009	\$ 1,170,948	\$ 1,311,034	\$ 140,086

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2009

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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 approved September 17, 2008.

	<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:	\$ 18.74	2,000	N	\$ 3.44	2,001 to 15,000
				\$ 3.64	15,001 to 25,000
				\$ 4.59	25,001 to 35,000
				\$ 5.59	35,001 to 45,000
				\$ 6.59	45,001 to 55,000
				\$ 7.59	55,001 and up
WASTEWATER:	\$ 7.75	2,000	N	\$ 3.20	2,001 not to exceed 15,000 gallons
SURCHARGE:					
Solid Waste/	\$ 15.75		Y		
Garbage	per month				
Commission	0.5% of				
Regulatory	actual water				
Assessments	and sewer bill				

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$46.26 Wastewater: \$33.35 Surcharge: \$16.15

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤¾"	_____	_____	X 1.0	_____
1"	644	644	X 2.5	1,610
1½"	1	1	X 5.0	5
2"	34	34	x 8.0	272
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water Connections	<u>679</u>	<u>679</u>		<u>1,887</u>
Total Wastewater Connections	<u>637</u>	<u>637</u>	x 1.0	<u>637</u>

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

		Water Accountability Ratio: (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	194,287,000	_____ 97.8% _____
Gallons purchased:	198,664,000	From <u>Upper Trinity Regional Water District</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County or Counties in which District is located:

Denton County, Texas

Is the District located within a city?

Entirely Partly Not at all

Is the District located within a city's extra territorial 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-B
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

PERSONNEL (Including Benefits)	\$ <u>250,166</u>
PROFESSIONAL FEES:	
Auditing	\$ 20,670
Engineering	1,141
Legal	<u>67,067</u>
TOTAL PROFESSIONAL FEES	\$ <u>88,878</u>
PURCHASED SERVICES FOR RESALE:	
Water Service	\$ 443,088
Wastewater Service	<u>85,580</u>
TOTAL PURCHASED SERVICES FOR RESALE	\$ <u>528,668</u>
CONTRACTED SERVICES:	
Police Department	\$ 33,180
Fire Protection and EMS	52,807
Contract Labor	57,977
Management Fee	60,309
Tax Collector	<u>512</u>
TOTAL CONTRACTED SERVICES	\$ <u>204,785</u>
UTILITIES:	
Electricity	\$ 37,045
Telephone	<u>8,150</u>
TOTAL UTILITIES	\$ <u>45,195</u>
REPAIRS AND MAINTENANCE	\$ <u>161,174</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 6,150
Directors Costs	755
Dues and Subscriptions	2,152
Insurance	37,860
Training and Education	2,294
Advertising	123

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

ADMINISTRATIVE EXPENDITURES: (Continued)	
Lease Office Equipment	13,227
Office Supplies and Postage	11,415
Travel and Meetings	<u>737</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 74,713</u>
CAPITAL OUTLAY:	
Expenditures not Capitalized	\$ 18,676
Purchase of Fixed Assets	<u> </u>
TOTAL CAPITAL OUTLAY	<u>\$ 18,676</u>
TAP CONNECTION EXPENDITURES	<u>\$ 1,912</u>
SOLID WASTE DISPOSAL	<u>\$ 73,025</u>
FIRE FIGHTING	<u>\$ -0-</u>
PARKS AND RECREATION	<u>\$ -0-</u>
OTHER EXPENDITURES:	
Bulk Water Purchases	\$ 57,714
Supplies - Small Tools	2,819
Supplies - Uniforms	2,018
Supplies-Medical	85
Supplies - Gas and Oil	12,008
Supplies - Postage	84
Office Rental	36,476
Equipment Rental	12,103
State Certification	291
Other	<u>6,229</u>
TOTAL OTHER EXPENDITURES	<u>\$ 129,827</u>
TOTAL EXPENDITURES	<u>\$ 1,577,019</u>

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

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

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
INVESTMENTS
SEPTEMBER 30, 2009**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Certificate of Deposit	10356	1.75%	05/01/10	\$ 604,326	\$ 2,636
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	10494	2.00%	03/20/10	\$ 232,627	\$
Certificate of Deposit	10428	1.75%	03/28/10	<u>234,237</u>	<u> </u>
TOTAL DEBT SERVICE FUND				\$ 466,864	\$ -0-
TOTAL - ALL FUNDS				\$ 1,071,190	\$ 2,636

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
ANALYSIS OF TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Maintenance Tax		Contract Tax	
TAXES RECEIVABLE –				
OCTOBER 1, 2008	\$ 2,217		\$ 4,702	
Adjustments to Beginning				
Balance	<u>(130)</u>	\$ 2,087	<u>(238)</u>	\$ 4,464
Original 2008 Tax Levy	\$ 744,147		\$ 1,632,477	
Adjustment to 2008 Tax Levy	<u>12,966</u>	<u>757,113</u>	<u>28,444</u>	<u>1,660,921</u>
 TOTAL TO BE ACCOUNTED FOR		 \$ 759,200		 \$ 1,665,385
 TAX COLLECTIONS:				
Prior Years	\$ 1,986		\$ 4,214	
Current Year	<u>754,455</u>	<u>756,441</u>	<u>1,655,089</u>	<u>1,659,303</u>
 TAXES RECEIVABLE –				
SEPTEMBER 30, 2009		<u>\$ 2,759</u>		<u>\$ 6,082</u>
 TAXES RECEIVABLE BY YEAR:				
2008		\$ 2,658		\$ 5,832
2006		56		115
2005		<u>45</u>		<u>135</u>
		<u>\$ 2,759</u>		<u>\$ 6,082</u>

See accompanying independent auditor's report.

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DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
PROPERTY VALUATIONS				
Land	\$ 74,985,928	\$ 68,200,656	\$ 67,423,174	\$ 54,318,841
Improvements	205,822,683	205,289,905	192,629,263	165,180,210
Personal Property	2,086,084	2,251,860	2,212,369	1,980,068
Exemptions	<u>(14,269,399)</u>	<u>(12,947,633)</u>	<u>(14,602,211)</u>	<u>(10,270,977)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 268,625,296</u>	<u>\$ 262,794,788</u>	<u>\$ 247,662,595</u>	<u>\$ 211,208,142</u>
TAX RATES PER \$100 VALUATION:				
Contract	\$ 0.6182	\$ 0.61	\$ 0.6386	\$ 0.7525
Maintenance	<u>0.2818</u>	<u>0.29</u>	<u>0.3114</u>	<u>0.2475</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.9000</u>	<u>\$ 0.90</u>	<u>\$ 0.9500</u>	<u>\$ 1.0000</u>
ADJUSTED TAX LEVY*	<u>\$ 2,418,034</u>	<u>\$ 2,365,187</u>	<u>\$ 2,353,178</u>	<u>\$ 2,112,012</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED				
	<u>99.65%</u>	<u>100.00%</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 Tax – Maximum tax rate in unlimited amount per \$100 of assessed valuation approved by voters on August 10, 1996.

See accompanying independent auditor's report.

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

	Amounts		
	2009	2008	2007
REVENUES			
Property Taxes	\$ 756,441	\$ 764,579	\$ 764,690
Water Service	841,225	616,231	452,384
Wastewater Service	251,369	231,422	239,046
Solid Waste Disposal	114,030	107,290	95,102
Penalty and Interest	13,135	19,633	12,194
Permits and Inspection Fees	45,025	93,723	53,963
Franchise Fees	85,521	139,283	105,272
Sales Tax Revenue	3		
Investment Revenues	16,761	24,852	34,074
Miscellaneous	17,912		5,981
TOTAL REVENUES	\$ 2,141,422	\$ 1,997,013	\$ 1,762,706
EXPENDITURES			
Salaries	\$ 250,166	\$ 218,555	\$ 153,471
Professional Fees	88,878	78,183	39,143
Contracted Services	277,810	287,649	202,199
Purchased Water Service	443,088	471,768	494,382
Purchased Wastewater Service	85,580	158,372	153,650
Utilities	45,195	67,724	64,084
Repairs and Maintenance	161,174	310,290	223,057
Other	206,452	153,578	144,080
Capital Outlay	18,676	13,058	7,773
TOTAL EXPENDITURES	\$ 1,577,019	\$ 1,759,177	\$ 1,481,839
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 564,403	\$ 237,836	\$ 280,867
OTHER FINANCING SOURCES (USES)			
Developer Contributions	\$	\$	\$
Contributed to Other Governmental Unit		(31,448)	
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ (31,448)	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 564,403	\$ 206,388	\$ 280,867
BEGINNING FUND BALANCE	746,631	540,243	259,376
ENDING FUND BALANCE	\$ 1,311,034	\$ 746,631	\$ 540,243

See accompanying independent auditor's report.

		Percent of Total Revenues					
<u>2006</u>	<u>2005</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	
\$ 521,596	\$ 496,482	35.3%	38.3%	43.3%	30.0%	29.1%	
629,179	462,142	39.3	30.8	25.7	36.2	27.0	
211,639	178,601	11.7	11.6	13.6	12.2	10.4	
93,083	86,625	5.3	5.4	5.4	5.3	5.1	
9,965	10,268	0.6	1.0	0.7	0.6	0.6	
157,319	386,489	2.1	4.7	3.1	9.0	22.6	
89,671	71,173	4.0	7.0	6.0	5.2	4.2	
12,894	7,574	0.8	1.2	1.9	0.7	0.4	
<u>13,535</u>	<u>9,911</u>	<u>0.9</u>		<u>0.3</u>	<u>0.8</u>	<u>0.6</u>	
<u>\$ 1,738,881</u>	<u>\$ 1,709,265</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	
\$ 155,925	\$ 157,356	11.7%	10.9%	8.7%	9.0%	9.2%	
44,875	42,752	4.2	3.9	2.2	2.6	2.5	
203,858	222,093	13.0	14.4	11.5	11.7	13.0	
583,440	388,254	20.7	23.6	28.0	33.5	22.7	
156,758	165,694	4.0	7.9	8.7	9.0	9.7	
59,952	65,199	2.1	3.4	3.6	3.4	3.8	
220,018	249,162	7.5	15.5	12.7	12.7	14.6	
149,553	168,639	9.5	7.7	8.2	8.6	9.9	
<u>187,012</u>	<u>194,118</u>	<u>0.9</u>	<u>0.7</u>	<u>0.4</u>	<u>10.8</u>	<u>11.4</u>	
<u>\$ 1,761,391</u>	<u>\$ 1,653,267</u>	<u>73.7%</u>	<u>88.0%</u>	<u>84.0%</u>	<u>101.3%</u>	<u>96.8%</u>	
\$ (22,510)	\$ 55,998	<u>26.3%</u>	<u>12.0%</u>	<u>16.0%</u>	<u>(1.3)%</u>	<u>3.2%</u>	
\$	\$						
<u>-0-</u>	<u>-0-</u>						
\$ (22,510)	\$ 55,998						
<u>281,886</u>	<u>225,888</u>						
<u>\$ 259,376</u>	<u>\$ 281,886</u>						

See accompanying independent auditor's report.

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

	Amounts		
	2009	2008	2007
REVENUES			
Property Taxes	\$ 1,659,303	\$ 1,608,090	\$ 1,580,351
Penalty and Interest	16,426	16,891	21,300
Investment Revenues	<u>127,663</u>	<u>110,039</u>	<u>78,074</u>
TOTAL REVENUES	<u>\$ 1,803,392</u>	<u>\$ 1,735,020</u>	<u>\$ 1,679,725</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 38,139	\$ 29,116	\$ 38,276
Contract Tax Obligation – City of Lewisville	<u>1,572,012</u>	<u>1,571,763</u>	<u>1,570,013</u>
TOTAL EXPENDITURES	<u>\$ 1,610,151</u>	<u>\$ 1,600,879</u>	<u>\$ 1,608,289</u>
NET CHANGE IN FUND BALANCE	\$ 193,241	\$ 134,141	\$ 71,436
BEGINNING FUND BALANCE	<u>1,889,259</u>	<u>1,755,118</u>	<u>1,683,682</u>
ENDING FUND BALANCE	<u>\$ 2,082,500</u>	<u>\$ 1,889,259</u>	<u>\$ 1,755,118</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>679</u>	<u>677</u>	<u>676</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>637</u>	<u>625</u>	<u>617</u>

See accompanying independent auditor's report.

		Percent of Total Revenues				
<u>2006</u>	<u>2005</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 1,580,088	\$ 1,566,771	92.0%	92.7%	94.1%	97.6%	97.8%
16,792	20,854	0.9	1.0	1.3	1.0	1.3
<u>21,735</u>	<u>13,929</u>	<u>7.1</u>	<u>6.3</u>	<u>4.6</u>	<u>1.4</u>	<u>0.9</u>
\$ <u>1,618,615</u>	\$ <u>1,601,554</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
\$ 32,733	\$ 44,216	2.1%	1.7%	2.3%	2.0%	2.8%
<u>1,525,198</u>	<u>1,572,505</u>	<u>87.2</u>	<u>90.6</u>	<u>93.5</u>	<u>94.2</u>	<u>98.2</u>
\$ <u>1,557,931</u>	\$ <u>1,616,721</u>	<u>89.3%</u>	<u>92.3%</u>	<u>95.8%</u>	<u>96.2%</u>	<u>101.0%</u>
\$ 60,684	\$ (15,167)	<u>10.7%</u>	<u>7.7%</u>	<u>4.2%</u>	<u>3.8%</u>	<u>(1.0)%</u>
<u>1,622,998</u>	<u>1,638,165</u>					
\$ <u>1,683,682</u>	\$ <u>1,622,998</u>					
<u>665</u>	<u>612</u>					
<u>602</u>	<u>576</u>					

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2009**

District Mailing Address - Denton County Fresh Water Supply District No. 1-B
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, 2009</u>	Expense Reimbursements for the year ended <u>September 30, 2009</u>	<u>Title</u>
Lance Shirley	05/07 05/10 (Appointed)	\$ 1,050	\$ 39	President
Guy Harris	05/08 05/12 (Elected)	\$ 1,350	\$ 26	Vice President
Inge W. Drechsler	05/08 05/12 (Elected)	\$ 1,050	\$ 376	Treasurer/ Secretary
Mark Sommer	05/06 05/10 (Elected)	\$ 1,500	\$ -0-	Assistant Secretary
Bob Hansen	05/08 05/12 (Elected)	\$ 1,200	\$ 121	Assistant Treasurer/ 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): February 23, 2009.

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-B
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2009

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2009</u>	<u>Title</u>
K & L Gates, LLP 1717 Main Street, Suite 2800 Dallas, TX 75201	09/10/09	\$ -0-	Attorney
Kelly Hart & Hallman, LLP 201 Main Street, Suite 2500 Fort Worth, TX 76102	06/03/08	\$ 62,116	Prior Attorney
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	10/14/97	\$ 20,670	Auditor
TRC Engineers, Inc. 6136 Frisco Square Blvd., Suite 375 Frisco, TX 75034	11/18/96	\$ -0-	Engineer
Zane Miller 2540 King Arthur, Suite 220 Lewisville, TX 75056	09/18/07	\$ -0-	Investment Officer
Denton County Appraisal District P.O. Box 2816 Denton, TX 76202-7816	Legislative Action	\$ 20,217	Property Tax Appraisals
Denton County Tax Collector c/o Steve Mossman 1505 E. McKinney Street Denton, TX 76209	08/24/01	\$ 526	Tax Assessor/ Collector

See accompanying independent auditor's report.