

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

**DENTON COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2009**

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**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-G**  
**DENTON COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**SEPTEMBER 30, 2009**

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

*Member of*  
*American Institute of Certified Public Accountants*  
*Texas Society of Certified Public Accountants*

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

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 30 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 10, 2010

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-G  
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-G'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-G  
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 two governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Capital Projects Fund accounts for financial resources 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 28 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-G  
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 \$ 60,830 as of September 30, 2009.

With this being the first year the District has been required to issue audited financial statements, comparative financial information has not been presented.

The following table provides a summary of net assets as of September 30, 2009:

	Summary of the Statement of Net Assets
	2009
Current and Other Assets	\$ 9,061
Capital Assets (Net of Accumulated Depreciation)	<u>616,610</u>
Total Assets	<u>\$ 625,671</u>
Due to Developer	\$ 43,668
Other Liabilities	<u>521,173</u>
Total Liabilities	<u>\$ 564,841</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	\$ 357,697
Restricted	2,880
Unrestricted	<u>(299,747)</u>
Total Net Assets	<u><u>\$ 60,830</u></u>

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-G  
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 year ended September 30, 2009. The District's net assets increased by \$204,790.

	Summary of the Statement of Activities
	2009
Revenues:	
Property Taxes	\$ 882,004
Charges for Services	4,093
Other Revenues	3
Total Revenues	\$ 886,100
Expenses for Services	1,018,657
Excess (Deficiency) of Revenues Over Expenses	\$ (132,557)
Other Financing Sources (Uses)	
Contributed to Other Governmental Unit	(3,462)
Contributed from Other Governmental Unit	340,809
Change in Net Assets	\$ 204,790
Net Assets, Beginning of Year	(143,960)
Net Assets, End of Year	\$ 60,830

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

The District's combined fund balances as of September 30, 2009, were a deficit of \$70,718, a decrease of \$76,211 from the prior year.

The General Fund fund balance decreased by \$70,837, primarily due to operating expenditures exceeding maintenance tax collections.

The Capital Projects Fund fund balance decreased by \$5,384.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-G  
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 excess revenue was \$70,975 less than budgeted. See the budget to actual comparison on page 30.

**CAPITAL ASSETS**

A portion of the District's assets were funded by Denton County per an agreement with Denton County Fresh Water Supply District No. 1-A (Denton 1-A). Per the agreement, Denton County funded construction costs of the Windhaven Parkway West project which lies partially within the District. The District also shares in the cost of the capital assets that Denton 1-A purchases and records on its books.

The District's investment in capital assets as of September 30, 2009, amounts to \$616,610 (net of accumulated depreciation).

	2009
Capital Assets Net of Depreciation	
Water System	\$ 144,143
Wastewater System	162,417
Drainage System	73,546
Roads	236,504
Total Net Capital Assets	<u>\$ 616,610</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-G, c/o Kelly Hart & Hallman LLP, 201 Main Street, Suite 2500, Fort Worth, TX 76102.

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

	General Fund	Capital Projects Fund
<b>ASSETS</b>		
Cash, Note 3	\$	\$ 2,880
Receivables:		
Other	35	
Prepaid Costs	6,146	
Capital Assets (Net of Accumulated Depreciation), Note 4		
<b>TOTAL ASSETS</b>	<b>\$ 6,181</b>	<b>\$ 2,880</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 16,201	\$
Due to Denton No. 1-A, Note 12	2,633	
Due to Denton No. 1-F, Note 13		
Due to Developer, Note 9		
Other Payable	182	
Deficit Claim on Pooled Cash, Note 3	60,763	
<b>TOTAL LIABILITIES</b>	<b>\$ 79,779</b>	<b>\$ -0-</b>
<b>FUND BALANCES/NET ASSETS</b>		
<b>FUND BALANCES</b>		
Reserved for Authorized Construction:		
Net Investment Revenues	\$ 6,146	\$ 2,880
Reserved for Prepaid Costs	6,146	
Unreserved – Undesignated	(79,744)	
<b>TOTAL FUND BALANCES</b>	<b>\$ (73,598)</b>	<b>\$ 2,880</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,181</b>	<b>\$ 2,880</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt		
Restricted for:		
Capital Projects		
Unrestricted		
<b>TOTAL NET ASSETS</b>		

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

Total	Adjustments	Statement of Net Assets
\$ 2,880	\$	\$ 2,880
35		35
6,146		6,146
<u>          </u>	<u>616,610</u>	<u>616,610</u>
<u>\$ 9,061</u>	<u>\$ 616,610</u>	<u>\$ 625,671</u>
\$ 16,201	\$	\$ 16,201
2,633	226,149	228,782
	215,245	215,245
	43,668	43,668
182		182
<u>60,763</u>	<u>          </u>	<u>60,763</u>
<u>\$ 79,779</u>	<u>\$ 485,062</u>	<u>\$ 564,841</u>
\$ 2,880	\$ (2,880)	\$
6,146	(6,146)	
<u>(79,744)</u>	<u>79,744</u>	<u>          </u>
<u>\$ (70,718)</u>	<u>\$ 70,718</u>	<u>\$ -0-</u>
<u>\$ 9,061</u>		
	\$ 357,697	\$ 357,697
	2,880	2,880
	<u>(299,747)</u>	<u>(299,747)</u>
	<u>\$ 60,830</u>	<u>\$ 60,830</u>

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

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

Total Fund Balances – Governmental Funds	\$	(70,718)
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.		616,610
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.		(441,394)
Governmental funds do not record a long-term liability to the Developer for the advances made to the district for operations and projects costs, however, in the Statement of Net Assets, the liability for these advances is recorded.		<u>(43,668)</u>
Total Net Assets – Governmental Activities	\$	<u>60,830</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-G  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	General Fund	Capital Projects Fund
<b>REVENUES</b>		
Property Taxes	\$ 882,004	\$
Water Service	944	
Penalty and Interest	2,682	
Permits and Inspections	136	
Franchise Fees	331	
Miscellaneous Revenues	3	
<b>TOTAL REVENUES</b>	<b>\$ 886,100</b>	<b>\$ -0-</b>
<b>EXPENDITURES/EXPENSES</b>		
Operating Expenses:		
Salaries	\$ 87,224	\$
Professional Fees	49,136	1,293
Contracted Services	78,832	
Purchased Water Service	132,489	
Purchased Wastewater Service	26,105	
Utilities	14,089	
Repairs and Maintenance	49,080	
Depreciation, Note 4		
Other	60,438	4,091
Capital Outlay	456,082	340,809
Conveyance of Assets		
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 953,475</b>	<b>\$ 346,193</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<b>\$ (67,375)</b>	<b>\$ (346,193)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Contributed to Other Governmental Unit	\$ (3,462)	\$
Contributed from Other Governmental Unit, Note 4		340,809
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (3,462)</b>	<b>\$ 340,809</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (70,837)</b>	<b>\$ (5,384)</b>
<b>CHANGE IN NET ASSETS</b>		
<b>FUND BALANCES (DEFICIT)/NET ASSETS – OCTOBER 1, 2008</b>	<b>(2,761)</b>	<b>8,264</b>
<b>FUND BALANCES (DEFICIT)/NET ASSETS – SEPTEMBER 30, 2009</b>	<b>\$ (73,598)</b>	<b>\$ 2,880</b>

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

Total	Adjustments	Statement of Activities
\$ 882,004	\$	\$ 882,004
944		944
2,682		2,682
136		136
331		331
<u>3</u>		<u>3</u>
<u>\$ 886,100</u>	<u>\$ -0-</u>	<u>\$ 886,100</u>
\$ 87,224	\$	\$ 87,224
50,429		50,429
78,832		78,832
132,489		132,489
26,105		26,105
14,089		14,089
49,080		49,080
	6,488	6,488
64,529		64,529
796,891	(790,809)	6,082
	<u>503,310</u>	<u>503,310</u>
<u>\$ 1,299,668</u>	<u>\$ (281,011)</u>	<u>\$ 1,018,657</u>
<u>\$ (413,568)</u>	<u>\$ 281,011</u>	<u>\$ (132,557)</u>
\$ (3,462)	\$	\$ (3,462)
<u>340,809</u>		<u>340,809</u>
<u>\$ 337,347</u>	<u>\$ -0-</u>	<u>\$ 337,347</u>
\$ (76,221)	\$ 76,221	\$
	204,790	204,790
<u>5,503</u>	<u>(149,463)</u>	<u>(143,960)</u>
<u>\$ (70,718)</u>	<u>\$ 131,548</u>	<u>\$ 60,830</u>

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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-G  
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	\$ (76,221)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital expenditures in the period purchased. However, in the Statement of Net Assets, capital assets are increased by new purchases, net any conveyance of assets to others.	287,499
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Governmental funds do not account for depreciation. However, in the Statement of Net Assets, capital assets are depreciated and depreciation expenses is recorded in the Statement of Activities.	<u>(6,488)</u>
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Change in Net Assets - Governmental Activities	<u><u>\$ 204,790</u></u>
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The accompanying notes to basic financial statements are an integral part of this report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-G**  
**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 (the "District") 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 3, 2003, voters approved the division of District No. 1-A into two new districts of which Denton County Fresh Water Supply District No. 1-G (District No. 1-G) was one. The District held its first meeting on June 3, 2003. 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, roads, 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 facilities 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 (GASB). 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 GASB 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-G**  
**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-G**  
**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 two 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.

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-G**  
**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 an other 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-G**  
**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 Denton County Fresh Water Supply District No. 1-A (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-G**  
**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 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 \$2,880 and the bank balance was \$2,880. The bank balance was fully covered by federal depository insurance.

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:

	Cash
GENERAL FUND <sup>(1)</sup>	\$ (60,763)
CAPITAL PROJECTS FUND	2,880
TOTAL DEPOSITS	\$ (57,883)

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

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

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

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, 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.

As of September 30, 2009, the District does not own any investments.

Restrictions

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

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

**NOTE 4. CAPITAL ASSETS**

A portion of the District's assets were funded by Denton County per an agreement with Denton No. 1-A. Per the agreement, Denton County funded construction costs of the Windhaven Parkway West project which lies partially within the District. During the current fiscal year, the District recorded a contribution from other governmental unit in the amount of \$340,809 related to these costs. The District also shares in the cost of the capital assets that Denton 1-A purchases and records on its books.

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

	<u>October 1, 2008</u>	<u>Additions</u>	<u>Decreases</u>	<u>September 30, 2009</u>
<b>Capital Assets Not Being Depreciated</b>				
Construction in Progress	\$ 120,354	\$ -0-	\$ 120,354	\$ -0-
<b>Capital Assets at Historical Cost Subject to Depreciation</b>				
Water System	\$	\$ 144,999	\$	\$ 144,999
Wastewater System		166,030		166,030
Drainage Facilities		73,983		73,983
Roads		<u>238,086</u>		<u>238,086</u>
<b>Total Capital Assets at Historical Cost Subject of Depreciation</b>	<u>\$ -0-</u>	<u>\$ 623,098</u>	<u>\$ -0-</u>	<u>\$ 623,098</u>
<b>Less Accumulated Depreciation</b>				
Water System	\$	\$ 856	\$	\$ 856
Wastewater System		3,613		3,613
Drainage Facilities		437		437
Roads		<u>1,582</u>		<u>1,582</u>
<b>Total Less Accumulated Depreciation</b>	<u>\$ -0-</u>	<u>\$ 6,488</u>	<u>\$ -0-</u>	<u>\$ 6,488</u>
<b>Total Depreciable Capital Assets Net of Accumulated Depreciation</b>	<u>\$ -0-</u>	<u>\$ 616,610</u>	<u>\$ -0-</u>	<u>\$ 616,610</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 120,354</u>	<u>\$ 616,610</u>	<u>\$ 120,354</u>	<u>\$ 616,610</u>

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

**NOTE 4. CAPITAL ASSETS (Continued)**

On April 19, 2006, a Cost Sharing Agreement was executed between Denton County Fresh Water Supply District Nos. 1-A, 1-B, 1-C, 1-D and 1-E. The agreement provided for a cost sharing of the cost of construction of certain Lift Station Facilities. District No. 1-A will own the facilities for the benefit of the residents and the property located within the original boundaries of Denton County Fresh Water Supply District No. 1, which includes District No. 1-B, District No. 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-B, Denton No. 1-C, Denton No. 1-D, Denton No. 1-E, Denton No. 1-F, 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 connection as of September, 2009. Capacity in the facilities is allocated as follows:

District No. 1-B	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.

As of September 30, 2009, the District does not own capacity in the lift station facilities.

**NOTE 5. MAINTENANCE TAX**

On November 7, 2006, voters of the District approved the levy and collection of a maintenance tax in an unlimited amount per \$100 of assessed valuation of taxable property within the District. During the fiscal year ended September 30, 2009, the District levied a maintenance tax at the rate of \$1.00 of assessed valuation, which resulted in a tax levy of \$882,004 on an adjusted valuation of \$88,200,365. 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.

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

**NOTE 5. MAINTENANCE TAX (Continued)**

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 6. 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.

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.

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

**NOTE 6. WATER SUPPLY AGREEMENTS (Continued)**

**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.

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.

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

**NOTE 6. WATER SUPPLY AGREEMENTS (Continued)**

**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.

**NOTE 7. OPERATING AGREEMENT**

Effective April 1, 2008, the District entered into an Operating Agreement with Denton County Fresh Water Supply District No. 1-A (District No. 1-A). 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 costs 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.

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

**NOTE 7. OPERATING AGREEMENT (Continued)**

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.

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 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 allocated such costs among the districts and shall be recalculated as of the first of each succeeding fiscal year thereafter.

On September 17, 2008, the District approved the Amended and Restated Operating Agreement. This agreement is to become effective on October 1, 2008. All other provisions remained the same, with the exception of the allocation of the maintenance costs. In accordance with the agreement, costs of the maintenance of the facilities within the districts of the Castle Hills Subdivision shall be allocated to each district on the basis of projected property values. Projected property values are defined as the combined total value of all property that are existing 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 districts' 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



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

**NOTE 7. OPERATING AGREEMENT (Continued)**

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 8. ECONOMIC DEPENDENCY AND DEFICIT FUND BALANCE**

The District has contracted with Denton County Fresh Water Supply District No. 1-A to conduct District operations. The District is further obligated for significant water supply commitments. The ability to meet all these obligations may require the Developer to advance monies to the District from time to time to meet all the financial obligations and to cover any operating deficits of the District. As of September 30, 2009, the District's General Fund had a deficit fund balance of \$73,598.

**NOTE 9. UNREIMBURSED DEVELOPER COST**

On May 20, 2009, the District executed an Agreement for Construction and Purchase of Facilities and Reimbursements for Cost with Castle Hills Property Company to provide for the advancement of monies to facilitate the operations of the District and or construction costs of the District. The Developer has indicated that \$43,668 has been advanced to the District as of September 30, 2009, that remains unreimbursed. This amount has been recorded as a liability in the Statement of Net Assets of the District.

**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 there have been no settlements of claims exceeding coverage in the last three years.

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

**NOTE 11. REIMBURSEMENT AGREEMENT**

Effective May 20, 2009, the District entered into a reimbursement agreement between Castle Hills Development Corporation Bright Realty, Ltd., Bright Farm Partnership, Bright & Company, Inc., Castle Hills Property Company (collectively Bright Entities), Denton No. 1-A, Denton No, 1-C, Denton No. 1-D, Denton No. 1-E, Denton No, 1-F, the District and Denton No. 1-H (collectively “the Districts”). For advances made by Bright Entities on or before November 20, 2006, the Districts will reimburse the relevant Bright Entity for 100% of such advances. For advances made by a Bright Entity after November 20, 2006, the Districts will transfer reimbursement funds to District No. 1-A. District No. 1-A will act as a clearinghouse for receipt of reimbursement proceeds and for the deployment of such proceeds to any District that would otherwise require an advance from a Bright Entity. Any reimbursement for advances received by District No. 1-A will be considered as a full complete release of that particular District’s obligation pursuant to existing developer reimbursement agreements.

**NOTE 12. DUE TO DISTRICT NO. 1-A**

The District has recorded a liability in the amount of \$20,313 for its share of constructions costs related to Windhaven West and \$72,600 for general operations of District No. 1-A. In addition, the District has recorded a liability of \$133,236 for developer advances due to District No. 1-A in accordance with the agreement noted in Note 11. The total amount due to District No. 1-A of \$226,149 has been recorded in the Statement of Net Assets.

**NOTE 13. EXCESS CAPACITY PURCHASE AGREEMENT**

The District entered into an Excess Capacity Purchase Agreement (the “Agreement”) with Denton No. 1-F. In accordance with the Agreement, the District agreed to purchase excess drainage capacity and sewer capacity from the District. In addition, the District will purchase one-hundred (100) percent of the capacity in the two master water meters installed pursuant to the Wholesale Water Supply Agreement, see Note 6, with the City of Lewisville. The total purchase price for the capacity will be \$665,245. During the current fiscal year, the District made a partial payment to the District in the amount of \$450,000. The remaining balance of \$215,245 has been recorded as a liability in the Statement of Net Assets.

**NOTE 14. BOND ELECTION**

On November 4, 2008, voters within the District approved for the District to issue bonds in the maximum amount of \$30,000,000 for utilities and \$10,400,000 for roads. In addition, refunding bonds were approved in the amount of \$37,500,000 and road refunding bonds were approved in the amount of \$13,000,000.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2009**

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-G**  
**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)
<b>REVENUES</b>			
Maintenance Taxes	\$ 84,942	\$ 882,004	\$ 797,062
Water Service	52,710	944	(51,766)
Wastewater Service	20,386		(20,386)
Penalty and Interest	6,000	2,682	(3,318)
Permit and Inspections	163,757	136	(163,621)
Franchise Fees		331	331
Investment Revenues	50,000		(50,000)
Miscellaneous Revenues	<u>15,100</u>	<u>3</u>	<u>(15,097)</u>
<b>TOTAL REVENUES</b>	<b><u>\$ 392,895</u></b>	<b><u>\$ 886,100</u></b>	<b><u>\$ 493,205</u></b>
<b>EXPENDITURES</b>			
Service Operations:			
Salaries	\$ 104,859	\$ 87,224	\$ 17,635
Professional Fees	38,150	49,136	(10,986)
Contracted Services	73,944	78,832	(4,888)
Purchased Water Service	139,219	132,489	6,730
Purchased Wastewater Service	27,804	26,105	1,699
Utilities	14,700	14,089	611
Repairs and Maintenance	49,513	49,080	433
Other	66,404	60,438	5,966
Capital Outlay	<u>7,319</u>	<u>456,082</u>	<u>(448,763)</u>
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 521,912</u></b>	<b><u>\$ 953,475</u></b>	<b><u>\$ (431,563)</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b><u>\$ (129,017)</u></b>	<b><u>\$ (67,375)</u></b>	<b><u>\$ 61,642</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advance	\$ 129,155	\$	\$ (129,155)
Contributed to Other Governmental Unit	<u>                    </u>	<u>(3,462)</u>	<u>(3,462)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>\$ 129,155</u></b>	<b><u>\$ (3,462)</u></b>	<b><u>\$ (132,617)</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 138</b>	<b>\$ (70,837)</b>	<b>\$ (70,975)</b>
<b>FUND BALANCE (DEFICIT) – OCTOBER 1, 2008</b>	<b><u>(2,761)</u></b>	<b><u>(2,761)</u></b>	<b><u>                    </u></b>
<b>FUND BALANCE (DEFICIT) – SEPTEMBER 30, 2009</b>	<b><u>\$ (2,623)</u></b>	<b><u>\$ (73,598)</u></b>	<b><u>\$ (70,975)</u></b>

See accompanying independent auditor's report.

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

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
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/Garbage Commission	\$ 15.75		Y		
Regulatory Assessments	0.5% of actual water and sewer bill				

District employs winter averaging for wastewater usage? 

<u>  X  </u>	<u>      </u>
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-G  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	_____	_____	x 1.0	_____
≤ <sup>3</sup> / <sub>4</sub> "	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1½"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	1	1	x 15.0	15
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water Connections	<u>1</u>	<u>1</u>		<u>15</u>
Total Wastewater Connections	<u>0</u>	<u>0</u>	x 1.0	<u>0</u>

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

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

Gallons billed to customers:           -0-           \_\_\_\_\_ N/A \_\_\_\_\_

Gallons purchased:                   -0-           From: Our water suppliers, see Note 6

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-G  
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 X

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes X No \_\_\_\_\_

County or Counties in which District is located:

Denton County, Texas

Is the District located within a city?

Entirely \_\_\_\_\_ Partly \_\_\_\_\_ Not at all X

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

Entirely X 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 X

See accompanying independent auditor's report.



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

PERSONNEL EXPENDITURES (Including Benefits)	\$ <u>87,224</u>
PROFESSIONAL FEES:	
Engineering	\$ 380
Legal	<u>48,756</u>
TOTAL PROFESSIONAL FEES	\$ <u>49,136</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 132,489
Purchased Wastewater Service	<u>26,105</u>
TOTAL PURCHASED SERVICES FOR RESALE	\$ <u>158,594</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 3,682
Contract Labor	19,535
Management Fee	20,179
Police Services	10,121
Fire and EMS Services	16,108
Tax Collector	<u>2,347</u>
TOTAL CONTRACTED FEES	\$ <u>71,972</u>
UTILITIES:	
Electricity	\$ 11,300
Telephone	<u>2,789</u>
TOTAL UTILITIES	\$ <u>14,089</u>
REPAIRS AND MAINTENANCE	\$ <u>49,080</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 4,650
Dues	740
Election Costs	562
Training and Education	785
Insurance	11,847
Advertising	41
Director Cost	451
Office Supplies and Postage	3,149
Payroll Taxes and Administration	288
Lease Office Equipment	821
Travel and Meetings	214
Other	<u>3,083</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>26,631</u>

See accompanying independent auditor's report.

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

CAPITAL OUTLAY:				
Capitalized Assets		\$	450,000	
Expenditures not Capitalized			<u>6,082</u>	
TOTAL CAPITAL OUTLAY		\$	<u>456,082</u>	
TAP CONNECTION EXPENDITURES		\$	<u>4,779</u>	
SOLID WASTE DISPOSAL		\$	<u>6,860</u>	
FIRE FIGHTING		\$	<u>-0-</u>	
PARKS AND RECREATION		\$	<u>-0-</u>	
SECURITY		\$	<u>-0-</u>	
OTHER EXPENDITURES:				
Supplies-Small Tools		\$	873	
Supplies-Uniforms			649	
Supplies-Medical			28	
Supplies-Gas and Oil			3,744	
Supplies-Postage			554	
Office Rental			11,781	
Equipment Rental			11,302	
State Certification			<u>97</u>	
TOTAL OTHER EXPENDITURES		\$	<u>29,028</u>	
DEBT SERVICE		\$	<u>-0-</u>	
TOTAL EXPENDITURES		\$	<u>953,475</u>	
Number of persons employed by the District	<u>-0-</u>	Full-Time	<u>-0-</u>	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-G  
ANALYSIS OF TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Maintenance Tax	
TAXES RECEIVABLE – OCTOBER 1, 2008	\$	
Adjustments to Beginning Balance	_____	\$
Original 2008 Tax Levy	\$ -0-	
Adjustment to 2008 Tax Levy	882,004	882,004
TOTAL TO BE ACCOUNTED FOR		\$ 882,004
TAX COLLECTIONS:		
Prior Years	\$	
Current Year	882,004	882,004
TAXES RECEIVABLE – SEPTEMBER 30, 2009		\$ -0-

See accompanying independent auditor's report.

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

	2008
PROPERTY VALUATIONS	
Land	\$ 89,300,888
Improvements	204
Personal Property	
Exemptions	(1,100,727)
TOTAL PROPERTY VALUATIONS	\$ 88,200,365
TAX RATES PER \$100 VALUATION:	
Contract	\$
Maintenance	1.00
TOTAL TAX RATES PER \$100 VALUATION	\$ 1.00
ADJUSTED TAX LEVY*	\$ 882,004
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	100.00%

\* 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 November 7, 2006.

See accompanying independent auditor's report.

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

	<u>Amounts</u>		
	<u>2009*</u>	<u>2008</u>	<u>2007</u>
<b>REVENUES</b>			
Property Taxes	\$ 882,004	\$	\$
Water Service	944		
Wastewater Service			
Solid Waste Disposal			
Penalty and Interest	2,682		
Permits and Inspection Fees	136		
Franchise Fee Revenues	331		
Investment Revenues			
Miscellaneous	<u>3</u>	<u>          </u>	<u>          </u>
<b>TOTAL REVENUES</b>	<u>\$ 886,100</u>	<u>\$</u>	<u>\$</u>
<b>EXPENDITURES</b>			
Salaries	\$ 87,224	\$	\$
Professional Fees	49,136		
Contracted Services	78,832		
Purchased Water Service	132,489		
Purchased Wastewater Service	26,105		
Utilities	14,089		
Repairs and Maintenance	49,080		
Other	60,438		
Capital Outlay	<u>456,082</u>	<u>          </u>	<u>          </u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 953,475</u>	<u>\$</u>	<u>\$</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (67,375)</u>	<u>\$</u>	<u>\$</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer Out	\$	\$	\$
Developer Advances			
Contributed to Other Governmental Unit	<u>(3,462)</u>	<u>          </u>	<u>          </u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ (3,462)</u>	<u>\$</u>	<u>\$</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (70,837)	\$	\$
<b>BEGINNING FUND BALANCE</b>	<u>(2,761)</u>	<u>          </u>	<u>          </u>
<b>ENDING FUND BALANCE</b>	<u>\$ (73,598)</u>	<u>\$ N/A</u>	<u>\$ N/A</u>

\* First Year Audit

See accompanying independent auditor's report.



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

	<u>Amounts</u>		
	<u>2009*</u>	<u>2008</u>	<u>2007</u>
<b>REVENUES</b>			
Property Taxes	\$	\$	\$
Penalty and Interest			
Investment Revenues			
Miscellaneous Revenues			
<b>TOTAL REVENUES</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$	\$	\$
Contract Tax Obligation – City of Lewisville			
Payment to Refund Bond Escrow			
<b>TOTAL EXPENDITURES</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In	\$	\$	\$
<b>NET CHANGE IN FUND BALANCE</b>	\$	\$	\$
<b>BEGINNING FUND BALANCE</b>			
<b>ENDING FUND BALANCE</b>	<b>\$ N/A</b>	<b>\$ N/A</b>	<b>\$ N/A</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>1</b>	<b>N/A</b>	<b>N/A</b>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>-0-</b>	<b>N/A</b>	<b>N/A</b>

\* First Year Audit

See accompanying independent auditor's report.

		Percent of Total Revenues				
2006	2005	2009*	2008	2007	2006	2005
\$	\$					
\$	\$					
\$	\$					
\$	\$	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
\$	\$					
\$	\$					
<u>\$ N/A</u>	<u>\$ N/A</u>					
<u>N/A</u>	<u>N/A</u>					
<u>N/A</u>	<u>N/A</u>					

See accompanying independent auditor's report.



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

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

District Telephone Number - (972) 899-4000

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2009	Expense Reimbursements for the year ended September 30, 2009	Title
Mark Charles Crouch	05/08 05/12 (Elected)	\$ 900	\$ 66	President
Michael Raquet	03/09 05/10 (Appointed)	\$ 600	\$ 4	Vice President
Melissa Brand-Vokey	05/08 05/12 (Elected)	\$ 1,050	\$ 40	Secretary
Carol E. Upchurch	08/08 05/10 (Appointed)	\$ 1,050	\$ -0-	Treasurer/ Assistant Secretary
Bobbie Mack	05/08 05/10 (Appointed)	\$ 1,050	\$ 88	Assistant Secretary

Notes: 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 developers or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): January 12, 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 February 10, 2010, the District formally adopted a resolution setting the limit 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-G  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2009**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2009</u>	<u>Title</u>
Kelly Hart & Hallman LLP 201 Main Street, Suite 2500 Fort Worth, TX 76102	06/03/08	\$ 37,578	Attorney
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	09/23/09	\$ -0-	Auditor
Pate Engineers, Inc. 8150 Brookriver Drive, Suite S-700 Dallas, TX 75247	11/16/09	\$ -0-	Engineer
Zane Miller 2540 King Arthur, Suite 220 Lewisville, TX 75056	09/18/07	\$ -0-	Investment Officer
Denton County Appraisal District 3911 Morse Denton, TX 76208	Legislative Action	\$ 3,682	Property Tax Appraisals
Denton County Tax Collector c/o Steve Mossman P. O. Box 90223 Denton, TX 76202	08/25/09	\$ 2,347	Tax Assessor/ Collector

See accompanying independent auditor's report.