

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY**

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JANUARY 31, 2019

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY**

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JANUARY 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Belmont Fresh Water Supply District No. 1
of Denton County
Denton County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Belmont Fresh Water Supply District No. 1 of Denton County (the "District"), as of and for the year ended January 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Supervisors
Belmont Fresh Water Supply District No. 1
of Denton County

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of January 31, 2019, and the respective changes in financial position for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

May 15, 2019

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JANUARY 31, 2019**

Management’s discussion and analysis of Belmont Fresh Water Supply District No. 1 of Denton County’s (the “District”) financial performance provides an overview of the District’s financial activities for the year ended January 31, 2019. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes all the District’s assets, liabilities and if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District’s net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for property taxes, permit fees, and franchise fees as well as general and administrative costs. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JANUARY 31, 2019**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets by \$4,721,093 as of January 31, 2019. The following is a comparative analysis of government-wide changes in the Statement of Net Position as of January 31, 2019, and January 31, 2018.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JANUARY 31, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 8,486,944	\$ 7,071,381	\$ 1,415,563
Capital and Intangible Assets (Net of Accumulated Depreciation/Amortization)	<u>45,352,027</u>	<u>39,400,274</u>	<u>5,951,753</u>
Total Assets	<u>\$ 53,838,971</u>	<u>\$ 46,471,655</u>	<u>\$ 7,367,316</u>
Due to Developer	\$ 6,597,147	\$ 9,672,161	\$ 3,075,014
Bonds/Bond Anticipation Note Payable	48,435,120	37,714,474	(10,720,646)
Other Liabilities	<u>786,213</u>	<u>488,635</u>	<u>(297,578)</u>
Total Liabilities	<u>\$ 55,818,480</u>	<u>\$ 47,875,270</u>	<u>\$ (7,943,210)</u>
Deferred Inflows of Resources	<u>\$ 2,741,584</u>	<u>\$ 1,675,608</u>	<u>\$ (1,065,976)</u>
Net Position:			
Net Investment in Capital Assets	\$ (7,841,797)	\$ (6,448,651)	\$ (1,393,146)
Restricted	974,847	1,027,876	(53,029)
Unrestricted	<u>2,145,857</u>	<u>2,341,552</u>	<u>(195,695)</u>
Total Net Position	<u>\$ (4,721,093)</u>	<u>\$ (3,079,223)</u>	<u>\$ (1,641,870)</u>

The following table is a summary of the District's operations for the years ended January 31, 2019, and January 31, 2018.

	<u>Summary of Changes in the Statement of Activities</u>		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,663,012	\$ 1,731,147	\$ 931,865
Permit and Franchise Fees	957,098	856,738	100,360
Other Revenues	<u>107,564</u>	<u>55,987</u>	<u>51,577</u>
Total Revenues	<u>\$ 3,727,674</u>	<u>\$ 2,643,872</u>	<u>\$ 1,083,802</u>
Total Expenses	<u>5,369,544</u>	<u>3,786,812</u>	<u>(1,582,732)</u>
Change in Net Position	\$ (1,641,870)	\$ (1,142,940)	\$ (498,930)
Net Position, Beginning of Year	<u>(3,079,223)</u>	<u>(1,936,283)</u>	<u>(1,142,940)</u>
Net Position, End of Year	<u>\$ (4,721,093)</u>	<u>\$ (3,079,223)</u>	<u>\$ (1,641,870)</u>

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JANUARY 31, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of January 31, 2019, were \$5,421,042, an increase of \$4,516,690 from the prior year.

The District's General Fund fund balance decreased by \$219,188, primarily due to general and administrative costs and capital expenditures which exceeded property tax and permit revenues.

The District's Debt Service Fund fund balance increased by \$195,145, primarily due to the structure of the District's debt requirements and Series 2018 Utility Bonds capitalized interest deposited in the current fiscal year.

The District's Capital Projects Fund fund balance increased by \$4,540,733. The District sold its Series 2018 Utility and Series 2018 Road Bonds and used the proceeds to reimburse developers for costs paid on behalf of the District and retired the Series 2017 BAN.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Supervisors did not amend the budget during the current year. Actual revenues were \$118,577 more than budgeted revenues primarily due to permit fees, franchise fees and investment revenues which exceeded budgeted amounts. Actual expenditures were \$1,374,123 more than budgeted expenditures primarily due to professional fees, inspection fees, contracted services, and capital expenditures which exceeded budgeted amounts.

CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital assets as of January 31, 2019, total \$24,629,415 (net of accumulated depreciation). These capital assets include land, roads, paving, and the drainage system.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,248,408	\$ 1,248,408	\$
Construction in Progress	1,358,645		1,358,645
Capital Assets, Net of Accumulated Depreciation:			
Roads and Paving	14,033,754	11,507,763	2,525,991
Drainage System	7,988,608	5,118,577	2,870,031
Total Net Capital Assets	\$ 24,629,415	\$ 17,874,748	\$ 6,754,667

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JANUARY 31, 2019**

CAPITAL ASSETS AND INTANGIBLE ASSETS (Continued)

Pursuant to the Third Amended and Restated Development Agreement, as amended, the District has acquired and constructed, with funds advanced by developers, utility and road infrastructure necessary to serve the area within the District. Upon completion of a phase of the utility infrastructure or plant improvements, the District conveys such utilities to the Town of Northlake for ownership and maintenance in return for its commitment to use such utilities to serve the District area. The District will retain ownership and maintenance responsibility for the roads and related drainage infrastructure that will serve the area within its boundaries. The District has recognized an intangible asset for the costs of the utilities conveyed which has a January 31, 2019, balance (net of accumulated amortization) of \$20,722,612.

LONG-TERM DEBT ACTIVITY

As of January 31, 2019, the District had total bond debt payable of \$49,230,000. The changes in the debt position of the District during the year ended January 31, 2019, are summarized as follows:

Bond Debt Payable, February 1, 2018	\$	34,305,000
Add: Bond Sale - Series 2018 Utility Bonds		7,200,000
Add: Bond Sale - Series 2018 Road Bonds		8,225,000
Less: Bond Principal Paid		<u>500,000</u>
Bond Debt Payable, January 31, 2019	\$	<u>49,230,000</u>

The Series 2016A Road Bonds, Series 2017 Utility Bonds, Series 2017 Road Bonds, Series 2018 Road Bonds and Series 2018 Utility Bonds carry underlying ratings of Baa1, while the Series 2016 Utility Bonds and Series 2016 Road Bonds do not carry underlying ratings. The Series 2016 Utility Bonds, Series 2016 Road Bonds, Series 2017 Utility Bonds and Series 2017 Road Bonds carry insured ratings of AA by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2016A Road Bonds, Series 2018 Utility Bonds and Series 2018 Road Bonds carry insured ratings of AA by virtue of bond insurance issued by Assured Guaranty Municipal. The above ratings reflect all changes, if any, through the fiscal year ended January 31, 2019.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Belmont Fresh Water Supply District No. 1 of Denton County, c/o Crawford & Jordan, LLP, 3100 McKinnon Street, Suite 1100, Dallas, TX 75201.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
JANUARY 31, 2019**

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 231,760	\$ 1,702,648
Investments	2,395,386	2,283,313
Cash with Tax Assessor/Collector	27,989	79,577
Property Taxes Receivable	81,700	232,284
Accrued Interest Receivable		761
Due from Other Funds	72,895	
Due from Other Governmental Units	162,803	
Intangible Assets (Net of Accumulated Amortization)		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 2,972,533</u>	<u>\$ 4,298,583</u>
LIABILITIES		
Accounts Payable	\$ 191,711	\$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds		
Security Deposits	12,350	
Accrued Interest at Time of Sale		38,557
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 204,061</u>	<u>\$ 38,557</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 81,700	\$ 2,741,584
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		1,518,442
Assigned to 2020 Budget Deficit	1,059,633	
Unassigned	1,627,139	
TOTAL FUND BALANCES	<u>\$ 2,686,772</u>	<u>\$ 1,518,442</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,972,533</u>	<u>\$ 4,298,583</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 295,494	\$ 2,229,902	\$	\$ 2,229,902
993,229	5,671,928		5,671,928
	107,566		107,566
	313,984		313,984
	761		761
	72,895	(72,895)	
	162,803		162,803
		20,722,612	20,722,612
		1,248,408	1,248,408
		1,358,645	1,358,645
		22,022,362	22,022,362
<u>\$ 1,288,723</u>	<u>\$ 8,559,839</u>	<u>\$ 45,279,132</u>	<u>\$ 53,838,971</u>
\$	\$ 191,711	\$	\$ 191,711
		582,152	582,152
		6,597,147	6,597,147
72,895	72,895	(72,895)	
	12,350		12,350
	38,557	(38,557)	
		1,275,000	1,275,000
		47,160,120	47,160,120
<u>\$ 72,895</u>	<u>\$ 315,513</u>	<u>\$ 55,502,967</u>	<u>\$ 55,818,480</u>
<u>\$ -0-</u>	<u>\$ 2,823,284</u>	<u>\$ (81,700)</u>	<u>\$ 2,741,584</u>
\$ 1,215,828	\$ 1,215,828	\$ (1,215,828)	\$
	1,518,442	(1,518,442)	
	1,059,633	(1,059,633)	
	1,627,139	(1,627,139)	
<u>\$ 1,215,828</u>	<u>\$ 5,421,042</u>	<u>\$ (5,421,042)</u>	<u>\$ - 0 -</u>
<u>\$ 1,288,723</u>	<u>\$ 8,559,839</u>		
		\$ (7,841,797)	\$ (7,841,797)
		974,847	974,847
		2,145,857	2,145,857
		<u>\$ (4,721,093)</u>	<u>\$ (4,721,093)</u>

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

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JANUARY 31, 2019**

Total Fund Balances - Governmental Funds		\$ 5,421,042
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets and intangible assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		45,352,027
Deferred inflows of resources related to property tax revenues for the 2018 maintenance tax levy became part of recognized revenue in the governmental activities of the District.		81,700
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Due to Developers	\$ (6,597,147)	
Accrued Interest Payable	(543,595)	
Bonds Payable	<u>(48,435,120)</u>	<u>(55,575,862)</u>
Total Net Position - Governmental Activities		<u>\$ (4,721,093)</u>

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

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**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY**
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JANUARY 31, 2019**

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 959,054	\$ 1,681,435
Penalty and Interest	11,815	4,493
Permit Fees	834,600	
Franchise Fees	122,498	
Miscellaneous Revenues	40,287	27,155
TOTAL REVENUES	<u>\$ 1,968,254</u>	<u>\$ 1,713,083</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 200,960	\$
Contracted Services	189,306	4,031
Inspection Services	331,851	
Repairs and Maintenance	70,784	
Amortization and Depreciation		
Other	35,894	750
Capital Outlay	1,358,647	
Debt Service:		
Bond Principal		500,000
Bond Interest		1,132,810
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	<u>\$ 2,187,442</u>	<u>\$ 1,637,591</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ (219,188)</u>	<u>\$ 75,492</u>
OTHER FINANCING SOURCES (USES)		
Proceeds From Issuance of Long-Term Debt	<u>\$ -0-</u>	<u>\$ 119,653</u>
NET CHANGE IN FUND BALANCES	<u>\$ (219,188)</u>	<u>\$ 195,145</u>
CHANGE IN NET POSITION		
FUND BALANCES (DEFICIT)/NET POSITION FEBRUARY 1, 2018	<u>2,905,960</u>	<u>1,323,297</u>
FUND BALANCES/NET POSITION JANUARY 31, 2019	<u>\$ 2,686,772</u>	<u>\$ 1,518,442</u>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 2,640,489	\$ 22,523	\$ 2,663,012
	16,308		16,308
	834,600		834,600
	122,498		122,498
23,814	91,256		91,256
<u>\$ 23,814</u>	<u>\$ 3,705,151</u>	<u>\$ 22,523</u>	<u>\$ 3,727,674</u>
\$	\$ 200,960	\$	\$ 200,960
	193,337		193,337
	331,851		331,851
	70,784		70,784
		1,968,740	1,968,740
9	36,653		36,653
9,636,861	10,995,508	(10,995,508)	
	500,000	(500,000)	
	1,132,810	282,851	1,415,661
1,151,558	1,151,558		1,151,558
<u>\$ 10,788,428</u>	<u>\$ 14,613,461</u>	<u>\$ (9,243,917)</u>	<u>\$ 5,369,544</u>
<u>\$ (10,764,614)</u>	<u>\$ (10,908,310)</u>	<u>\$ 9,266,440</u>	<u>\$ (1,641,870)</u>
<u>\$ 15,305,347</u>	<u>\$ 15,425,000</u>	<u>\$ (15,425,000)</u>	<u>\$ -0-</u>
\$ 4,540,733	\$ 4,516,690	\$ (4,516,690)	\$
		(1,641,870)	(1,641,870)
<u>(3,324,905)</u>	<u>904,352</u>	<u>(3,983,575)</u>	<u>(3,079,223)</u>
<u>\$ 1,215,828</u>	<u>\$ 5,421,042</u>	<u>\$ (10,142,135)</u>	<u>\$ (4,721,093)</u>

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

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES FOR THE
YEAR ENDED JANUARY 31, 2019**

Net Change in Fund Balances - Governmental Funds	\$ 4,516,690
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	22,523
Governmental funds do not account for amortization and depreciation. However, in governmental activities, capital assets and intangible assets are amortized and depreciated over the estimated useful lives or contract duration.	(1,968,740)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	10,995,508
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	500,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(282,851)
Governmental funds report bond proceeds as other financing sources, however, issued bonds increase long-term liabilities in the Statement of Net Position. A portion of the proceeds from bonds sold in the current year retired the bond anticipation note issued in the prior year.	<u>(15,425,000)</u>
Change in Net Position - Governmental Activities	<u>\$ (1,641,870)</u>

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

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2019**

NOTE 1. CREATION OF DISTRICT

Belmont Fresh Water Supply District No. 1 of Denton County (the “District”) was created on July 24, 2007, by an Order of the Commissioner’s Court of Denton County as a fresh water supply district. The District was created for the purposes and with the powers set out under Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and Chapters 49 and 53, Texas Water Code, as amended. The District was created to conserve, transport, and distribute fresh water from any sources for domestic and commercial purposes inside and/or outside the boundaries of the District. Pursuant to an election held on November 6, 2007, within the District, the District subsequently assumed sanitary sewer powers and road district powers. The District is authorized to purchase, construct, acquire, own, operate, repair, improve, and extend sanitary sewer systems to control wastes, and exercise the rights, authority, privileges, and functions of a road district, including those under Chapter 257, Transportation Code. The District is located wholly within Denton County, and the extraterritorial jurisdiction of the Town of Northlake and is under the continuing supervision of the Texas Commission on Environmental Quality (the “Commission”).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying 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 District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”). The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2019**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses 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.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2019**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

General Fund - To account for property taxes, permit fees, and franchise fees as well as general and administrative costs.

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

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

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days 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.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

The 2018 debt service tax levy has been fully deferred to pay the debt service costs to be incurred during the 2019 fiscal year.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of January 31, 2019, the Capital Projects Fund owed the General Fund \$72,895 for bond issuance costs.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2019**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over 2 years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Roads and Paving	45
Drainage System	45

Budgeting

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

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that Supervisors are considered “employees” for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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 in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Supervisors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of January 31, 2019, the District assigned \$1,059,633 of its General Fund fund balance to cover the budgeted deficit in the 2020 fiscal year.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

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

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2019**

NOTE 3. LONG-TERM DEBT

	Series 2016 Utility	Series 2016 Road	Series 2016A Road	Series 2017 Utility
Amounts Outstanding – January 31, 2019	\$ 11,270,000	\$ 3,920,000	\$ 4,090,000	\$ 5,580,000
Interest Rates	3.00%-5.50%	2.50% - 5.00%	2.00% - 3.00%	2.25% - 4.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2019/2041	March 1, 2019/2041	March 1, 2019/2041	March 1, 2019/2042
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2024*	March 1, 2024*	March 1, 2024*	March 1, 2025*
	Series 2017 Road	Series 2018 Utility	Series 2018 Road	
Amounts Outstanding – January 31, 2019	\$ 8,945,000	\$ 7,200,000	\$ 8,225,000	
Interest Rates	2.25% - 4.00%	3.00% - 3.75%	3.00% - 3.75%	
Maturity Dates – Serially Beginning/Ending	March 1, 2019/2042	March 1, 2019/2043	March 1, 2019/2043	
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1	
Callable Dates	March 1, 2025*	March 1, 2023*	March 1, 2023*	

* Or any date thereafter at a price of par plus unpaid accrued interest to the date fixed for redemption. For the Series 2016 utility bond issue, the bonds maturing on March 1, 2041, are term bonds and are subject to mandatory redemption beginning March 1, 2039. For the Series 2016 road bond issue, the bonds maturing on March 1, 2028, 2031 and 2034, are term bonds and are subject to mandatory redemption beginning March 1, 2027, 2030 and 2032, respectively. For the Series 2016A road bond issue, the bonds maturing on March 1, 2037 and March 1, 2041 are term bonds and are subject to mandatory redemption beginning March 1, 2035 and March 1, 2038, respectively. For the Series 2017 utility bond issue, the bonds maturing on March 1, 2030, 2033, 2035, 2037, 2039, and 2042 are subject to mandatory redemption beginning March 1, 2029, 2032, 2034, 2036, 2038, and 2040, respectively. For the Series 2017 road bond issue, the bonds maturing on March 1, 2030 and March 1, 2042 are subject to mandatory redemption beginning March 1, 2029 and March 1, 2040, respectively. For the Series 2018 utility bond issue, the bonds maturing on March 1, 2040 and March 1, 2043 are subject to mandatory redemption beginning March 1, 2038 and March 1, 2041, respectively. For the Series 2018 road bond issue the bonds maturing on March 1, 2040 and March 1, 2043 are subject to mandatory redemption beginning March 1, 2038 and March 1, 2041, respectively.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2019**

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended January 31, 2019:

	February 1, 2018	Additions	Retirements	January 31, 2019
Bonds Payable	\$ 34,305,000	\$ 15,425,000	\$ 500,000	\$ 49,230,000
Unamortized Discounts	(830,526)		(35,646)	(794,880)
Bonds Payable, Net	\$ 33,474,474	\$ 15,425,000	\$ 464,354	\$ 48,435,120
		Amount Due Within One Year		\$ 1,275,000
		Amount Due After One Year		47,160,120
		Bonds Payable, Net		\$ 48,435,120

The District has the following authorized but unissued bonds: \$52,130,000 for the purchase or construction of water and wastewater facilities; \$105,655,000 for the purchase or construction of roads; \$114,715,000 for refunding water and wastewater facilities bonds; and \$196,560,000 for refunding road bonds. The bonds of the District are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. As of January 31, 2019, the debt service requirements on the outstanding bonds were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 1,275,000	\$ 1,639,746	\$ 2,914,746
2021	1,375,000	1,583,088	2,958,088
2022	1,435,000	1,528,575	2,963,575
2023	1,500,000	1,472,398	2,972,398
2024	1,555,000	1,413,874	2,968,874
2025-2029	8,730,000	6,185,872	14,915,872
2030-2034	10,235,000	4,777,769	15,012,769
2035-2039	12,075,000	3,015,625	15,090,625
2040-2044	11,050,000	832,700	11,882,700
	\$ 49,230,000	\$ 22,449,647	\$ 71,679,647

During the current year, the District levied an ad valorem debt service tax rate of \$0.725 (\$0.36 for utilities and \$0.365 for roads) per \$100 of assessed valuation, which resulted in a tax levy of \$2,741,584 on the adjusted taxable valuation of \$378,149,558 for the 2018 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy. The District's tax calendar is as follows:

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2019**

NOTE 3. LONG-TERM DEBT (Continued)

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code.

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

In the current fiscal year, Series 2018 Utility Bonds proceeds of \$119,653 was deposited into the Debt Service Fund and restricted for the payment of bond interest. This amount is included in the Debt Service Fund cash and investment balances at year end.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$2,669,902 and the bank balance was \$2,672,342. The District was not exposed to custodial credit risk at year end.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2019**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at January 31, 2019, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 231,760	\$	\$ 231,760
DEBT SERVICE FUND	1,702,648	440,000	2,142,648
CAPITAL PROJECTS FUND	295,494		295,494
TOTAL DEPOSITS	\$ 2,229,902	\$ 440,000	\$ 2,669,902

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 Supervisors.

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

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

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2019**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District records its investments in certificates of deposit at acquisition cost. As of January 31, 2019, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
LOGIC	\$ 2,395,386	\$ 2,395,386
<u>DEBT SERVICE FUND</u>		
LOGIC	1,843,313	1,843,313
Certificates of Deposit	440,000	440,000
<u>CAPITAL PROJECTS FUND</u>		
LOGIC	993,229	993,229
TOTAL INVESTMENTS	\$ 5,671,928	\$ 5,671,928

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of January 31, 2019, the District's investment in LOGIC was rated AAAM by Standard and Poor's. The District also manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage.

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

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.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2019**

NOTE 6. CAPITAL ASSETS AND INTANGIBLE ASSETS

	February 1, 2018	Increases	Decreases	January 31, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,248,408			\$ 1,248,408
Construction in Progress		7,920,493	6,561,848	1,358,645
Total Capital Assets Not Being Depreciated	<u>\$ 1,248,408</u>	<u>\$ 7,920,493</u>	<u>\$ 6,561,848</u>	<u>\$ 2,607,053</u>
Capital Assets Subject to Depreciation				
Roads and Paving	\$ 12,371,537	\$ 2,932,291		\$ 15,303,828
Drainage System	5,552,042	3,132,617		8,684,659
Total Capital Assets Subject to Depreciation	<u>\$ 17,923,579</u>	<u>\$ 6,064,908</u>	<u>\$ - 0 -</u>	<u>\$ 23,988,487</u>
Accumulated Depreciation				
Roads and Paving	\$ 863,774	\$ 406,300		\$ 1,270,074
Drainage System	433,465	262,586		696,051
Total Accumulated Depreciation	<u>\$ 1,297,239</u>	<u>\$ 668,886</u>	<u>\$ - 0 -</u>	<u>\$ 1,966,125</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 16,626,340</u>	<u>\$ 5,396,022</u>	<u>\$ - 0 -</u>	<u>\$ 22,022,362</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 17,874,748</u>	<u>\$ 13,316,515</u>	<u>\$ 6,561,848</u>	<u>\$ 24,629,415</u>

Certain infrastructure constructed by the District with funds provided by developers for the purposes of providing water service and wastewater service to District residents is conveyed to other entities for ownership and maintenance. These costs are recorded as an asset and amortized over the term of the applicable service contract. See also Note 11.

	February 1, 2018	Increases	Decreases	January 31, 2019
Intangible Assets Subject to Amortization				
Water and Sewer Infrastructure	\$ 23,363,482	\$ 496,940	\$ - 0 -	\$ 23,860,422
Less Accumulated Amortization				
Water and Sewer Infrastructure	\$ 1,837,956	\$ 1,299,854	\$ - 0 -	\$ 3,137,810
Total Amortizable Intangible Assets, Net of Accumulated Amortization	<u>\$ 21,525,526</u>	<u>\$ (802,914)</u>	<u>\$ - 0 -</u>	<u>\$ 20,722,612</u>

NOTE 7. MAINTENANCE TAX

On November 6, 2012, the 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 year ended January 31, 2019, the District levied an ad valorem maintenance tax rate of \$0.255 per \$100 of assessed valuation, which resulted in a tax levy of \$964,282 on the adjusted taxable valuation of \$378,149,558 for the 2018 tax year.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2019**

NOTE 8. UNREIMBURSED COSTS

The District has executed financing agreements with Developers within the District as follows: Assignment Confirmation and Amended and Restated Operating Costs and Facilities Reimbursement Agreement, effective December 15, 2011, among Realty Capital Belmont, LTD, Belmont 407, LLC, and the District; Partial Assignment of Reimbursement Rights and Obligations (Harvest, Phase I), dated October 17, 2012, between Belmont 407, LLC and Harvest Phase I, LLC; Partial Assignment of Reimbursement Rights and Obligations (Harvest Meadows Phase I), dated April 15, 2014, between Belmont 407, LLC and Harvest Phase I, LLC; Partial Assignment of Reimbursement Rights and Obligations (Harvest Phase II), dated December 4, 2014, between Belmont 407, LLC and Harvest Phase II, LLC; Partial Assignment of Reimbursement Rights and Obligations (Harvest Meadows Phase II), dated November 10, 2015, between Belmont 407, LLC, Harvest Phase I LLC, and Meadows Phase 2 at Harvest LLC; Partial Assignment of Reimbursement Rights and Obligations (Harvest Phase 3), effective May 5, 2016, between Belmont 407, LLC and Harvest Phase 3, LLC; Partial Assignment of Reimbursement Rights and Obligations (Harvest Meadows Phase 3), effective September 1, 2016, between Belmont 407, LLC and Harvest Meadows Phase 3, LLC; Partial Assignment of Reimbursement Rights and Obligations (Harvest Meadows Phase 4), effective May 31, 2018, between Belmont 407, LLC, and Harvest Meadows Phase 4, LLC; and Road Project Reimbursement Agreement, dated September 27, 2012, among Belmont 407, LLC, Devon Energy Production Company, L.P., and the District. These agreements call for the Developers to fund costs associated with water and sewer facilities, as well as roads and improvements in aid thereof until such time as the District can sell bonds. Prior to the fiscal year ending 2016, the Developers advanced funds, from time to time, to cover operating costs of the District. Reimbursement to the Developers will come from future bond sales.

NOTE 9. RISK MANAGEMENT

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

NOTE 10. LAW ENFORCEMENT AGREEMENT

Effective October 1, 2017, the District entered into an Amended and Restated Interlocal Cooperation Agreement for Law Enforcement Services with the Town. Under the Agreement, the Town agrees to provide law enforcement and protection services to the area within the District. In consideration for such services, the District agrees to make quarterly payments to the Town based on the Town's estimated costs to provide services on a per single family residential unit basis (the "Annual Cost").

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2019**

NOTE 10. LAW ENFORCEMENT AGREEMENT (Continued)

By June 30 of each year during the term of the Agreement, the Town is to submit to the District a calculation of the Annual Cost for the following year. Beginning January 1 of the following year, the District will make quarterly payments based upon (i) the number of completed single family residential units as of the first day of the quarter, (ii) multiplied by the Annual Cost then in effect, and (iii) with the product divided by four.

The quarterly payments due for the initial year of the Agreement shall be no less than \$100,000. The initial term of the Agreement is three years; and the Agreement will be automatically renewed for additional three year terms, unless otherwise terminated by a party.

NOTE 11. DEVELOPMENT AGREEMENT

On November 9, 2006, a Development Agreement was entered into between Realty Capital Belmont, Ltd. and the Town of Northlake, Texas (Town). On August 6, 2007, the District entered into a Joinder Agreement, by which it confirmed and adopted the terms and conditions of the Development Agreement and became a party to the Development Agreement. On May 29, 2008, an Amended and Restated Development Agreement was entered into among the original parties and the District and on August 26, 2010, the Second Amended and Restated Development Agreement was entered into among the original parties and the District. Effective September 27, 2012, the District, Belmont 407, LLC, Realty Capital Argyle 114, Ltd, and the Town entered into a Third Amended and Restated Development Agreement (the "Third Amended and Restated Development Agreement"). The Third Amended and Restated Development Agreement was amended on October 16, 2012, June 25, 2013, December 10, 2015, and August 25, 2017.

The Third Amended and Restated Development Agreement establishes permitted land uses and development densities for the area within the District; establishes platting process and applicable building codes and inspection and permitting procedures; provides immunity from full purpose annexation by the Town until certain conditions are met; establishes conditions for limited purpose annexation; provides for the conditions for Town consent to creation of the District, addition of land to the District, and issuance of bonds by the District; recognizes the Town as the exclusive retail water and sewer service provider; establishes road and utility infrastructure to be constructed by the District for the area within its boundaries; allocates water and wastewater capacities to the District area; provides for the District's phased conveyance to the Town of the water and sewer infrastructure constructed by the District; provides for the Town's delivery of water supply and wastewater treatment collection and treatment service to the area within the District, including central water production and supply facilities; provides for the reimbursement by the Town to District developers for funds advanced for construction of the Trinity River Authority sewer interceptor line serving the area within the District; and provides a process for the provision of police, fire and emergency services to the area within the District.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2019**

NOTE 11. DEVELOPMENT AGREEMENT (Continued)

The Town entered into a wholesale treated water supply contract with the Upper Trinity Regional Water District (UTRWD) to provide retail water service to areas within the Town's CCNs, including the District. The Landowner agrees to pay all amounts due under the UTRWD Treated Water Contract attributable to the District including equity fees, facilities charges, demand charges, capacity subscriptions as well as actual usage, volume and transportation charges due to the extent that revenues from retail customers within the District are insufficient.

The Town also entered into an agreement with the Trinity River Authority and the Towns of Argyle and Flower Mound for wastewater treatment via the Denton Creek Regional Wastewater Treatment Plant. Approximately 1.979 million gallons per day of the Town's peak flow capacity is allocated to the District. The Landowner paid \$3,684,319 for the District's capacity in the interceptor line and \$365,473 for oversized capacity costs. On behalf of the District, the developer funded 1.979 million gallons per day of treatment capacity sufficient to serve approximately 1,963 equivalent single-family connections.

The Landowner will recover District capacity costs from proceeds of bonds issued by the District or capital recovery fees of \$1,643 per ESFC to be collected by the Town and reimbursed to the Landowner.

The Town will be the sole provider of retail water and wastewater service to residential and commercial customers in the District at the same rates as provided to other customers within the Town. The initial term of the Third Amended and Restated Agreement is 15 years, which may be extended for additional five-year terms, not to exceed 25 years.

NOTE 12. JOINT CONTRACTS

On November 1, 2014, the District entered into a joint road construction contract with Belmont Fresh Water Supply District No. 2 of Denton County ("District No. 2"). The Amended and Restated Joint Road Contract and the First Amendment to Amended and Restated Joint Road Contract were entered into on January 20, 2016 and January 17, 2018, respectively. The districts will acquire and construct joint road facilities in phases by segments. Each district agrees to pay its proportionate share of acquisition/construction, operation and maintenance costs of the joint road facilities. Each district will own its proportionate share of each segment of the joint road facilities that are constructed. The term of this agreement is 50 years. During the current fiscal year, the District paid for costs associated with the Harvest traffic signal project. The District's share of these costs totaled \$46,187 and District No. 2's share was \$162,803.

On January 20, 2016, the District and District No. 2 entered into a Contract for Joint Drainage Improvements in Aid of Roads. This contract was amended on January 18, 2017. The contract provides for both districts to share in the costs and expenses related to the construction, ownership, operation and maintenance of certain drainage improvements as part of the respective road system that will serve each district, based on the relative benefit received. The term of this agreement is 50 years.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2019**

NOTE 12. JOINT CONTRACTS (Continued)

On September 19, 2018, the District and District No. 2 entered into an agreement with Denton County to provide general maintenance, as well as design and construction associated with widening improvements to approximately 6,780 linear feet of Old Justin Road in phases. The term of the agreement begins on October 1, 2018 and expires on November 30, 2023, unless sooner terminated.

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT

Effective December 12, 2016, the District entered into a Strategic Partnership Agreement (the “Agreement”) with the Town of Northlake, Texas. The Agreement provides that the Town may annex a tract of land within the District defined as the Limited Purpose Property (the “Property”) for the limited purposes of imposing a sales and use tax on all eligible commercial activities within the Property at the rate allowed by the tax code. Further, while the Town will retain all sales and use tax proceeds collected under the Agreement, it has agreed to use a portion thereof for the purposes of promoting economic development and stimulating business and commercial activity within the Property and, to the extent permitted by law, within the District.

NOTE 14. BOND SALES

On August 28, 2018, the District sold its \$7,200,000 Series 2018 Unlimited Tax Utility Bonds and its \$8,225,000 Series 2018 Unlimited Tax Road Bonds. Proceeds from the sale of the Utility Bonds were used to redeem the District’s \$4,240,000 Bond Anticipation Note, Series 2017, the proceeds of which were used to reimburse the Developer for (i) water and wastewater improvements serving Harvest, Phase 3; (ii) water and wastewater improvements serving Harvest Meadows, Phase 3; and (iii) engineering costs associated with items (i) and (ii) above. In addition, proceeds from the Utility Bonds were used to reimburse the Developer for costs associated with items (i) and (ii) above that were not fully reimbursed by the BAN, to pay six months of capitalized interest on the Utility Bonds, to pay developer interest, and to pay certain costs of issuance of the Utility Bonds and BAN.

Proceeds from the sale of the Road Bonds were used to reimburse the Developer for grading, drainage, construction and engineering costs associated with all, or a portion of, certain roads and improvements in aid thereof serving the following residential subdivisions in the District: Harvest Phase 3A, Harvest Phase 3B, and Harvest Meadows Phase 3. Proceeds from the Road Bonds also reimbursed the Developer for fees due to the Town of Northlake, Texas. In addition, proceeds from the Road Bonds were used to pay developer interest and other costs related to the issuance of the Road Bonds.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2019**

NOTE 15. USE OF SURPLUS FUNDS

The Board plans to fund construction of certain infrastructure to serve the District with surplus operating and construction funds. On September 11, 2018, the Commission approved the use of surplus funds to pay a portion of the costs to construct the water and wastewater facilities serving Harvest 3A in the amount of \$378,538.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION

JANUARY 31, 2019

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JANUARY 31, 2019**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 955,500	\$ 959,054	\$ 3,554
Permit Fees	780,000	834,600	54,600
Franchise Fees	99,277	122,498	23,221
Miscellaneous Revenues	<u>14,900</u>	<u>52,102</u>	<u>37,202</u>
TOTAL REVENUES	<u>\$ 1,849,677</u>	<u>\$ 1,968,254</u>	<u>\$ 118,577</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 178,900	\$ 200,960	\$ (22,060)
Contracted Services	150,413	189,306	(38,893)
Inspection Services	260,700	331,851	(71,151)
Repairs and Maintenance	95,000	70,784	24,216
Other	48,606	35,894	12,712
Capital Outlay	<u>79,700</u>	<u>1,358,647</u>	<u>(1,278,947)</u>
TOTAL EXPENDITURES	<u>\$ 813,319</u>	<u>\$ 2,187,442</u>	<u>\$ (1,374,123)</u>
NET CHANGE IN FUND BALANCE	\$ 1,036,358	\$ (219,188)	\$ (1,255,546)
FUND BALANCE - FEBRUARY 1, 2018	<u>2,905,960</u>	<u>2,905,960</u>	<u> </u>
FUND BALANCE - JANUARY 31, 2019	<u>\$ 3,942,318</u>	<u>\$ 2,686,772</u>	<u>\$ (1,255,546)</u>

See accompanying independent auditor's report.

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**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

JANUARY 31, 2019

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED JANUARY 31, 2019**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE YEAR:

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

2. RETAIL SERVICE PROVIDERS (NOT APPLICABLE)

3. TOTAL WATER CONSUMPTION: (NOT APPLICABLE)

4. STANDBY FEES: (NOT APPLICABLE)

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No

County 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 extraterritorial jurisdiction (ETJ)?

Entirely X Partly Not at all

ETJ in which District is located – Town of Northlake, Texas

Are Board Members appointed by an office outside the District?

Yes No X

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JANUARY 31, 2019**

PROFESSIONAL FEES:	
Auditing	\$ 14,900
Engineering	90,614
Legal	<u>95,446</u>
TOTAL PROFESSIONAL FEES	<u>\$ 200,960</u>
CONTRACTED SERVICES:	
Appraisal District/Tax Collection Costs	\$ 21,961
Bookkeeping	<u>18,626</u>
TOTAL CONTRACTED SERVICES	<u>\$ 40,587</u>
UTILITIES	<u>\$ 4,410</u>
REPAIRS AND MAINTENANCE	<u>\$ 70,784</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 7,350
Insurance	19,895
Legal Notices	900
Payroll Taxes	654
Other	<u>2,685</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 31,484</u>
CAPITAL OUTLAY	<u>\$ 1,358,647</u>
SECURITY	<u>\$ 148,719</u>
INSPECTION FEES	<u>\$ 331,851</u>
TOTAL EXPENDITURES	<u><u>\$ 2,187,442</u></u>

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
INVESTMENTS
JANUARY 31, 2019**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
LOGIC	XXX7001	Varies	Daily	\$ 2,395,386	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
LOGIC	XXX7003	Varies	Daily	\$ 639,843	\$
LOGIC	XXX7005	Varies	Daily	1,203,470	
Certificate of Deposit	XXX0642	2.40%	06/21/19	200,000	539
Certificate of Deposit	XXX4261	2.60%	01/18/20	240,000	222
TOTAL DEBT SERVICE FUND				<u>\$ 2,283,313</u>	<u>\$ 761</u>
<u>CAPITAL PROJECTS FUND</u>					
LOGIC	XXX7004	Varies	Daily	\$ 733,795	\$
LOGIC	XXX7006	Varies	Daily	259,434	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 993,229</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 5,671,928</u>	<u>\$ 761</u>

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JANUARY 31, 2019**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - FEBRUARY 1, 2018	\$	58,207	\$	135,816
Adjustments to Beginning Balance		<u>18,265</u>	\$	<u>76,472</u>
			\$	<u>4,857</u>
			\$	140,673
Original 2018 Tax Levy	\$	964,641	\$	2,742,607
Adjustment to 2018 Tax Levy		<u>(359)</u>		<u>964,282</u>
			\$	<u>(1,023)</u>
			\$	<u>2,741,584</u>
TOTAL TO BE ACCOUNTED FOR		\$	1,040,754	\$
			\$	2,882,257
TAX COLLECTIONS:				
Prior Years	\$	76,472	\$	140,673
Current Year		<u>882,582</u>		<u>959,054</u>
			\$	<u>2,509,300</u>
			\$	<u>2,649,973</u>
TAXES RECEIVABLE - JANUARY 31, 2019		<u>\$</u>	<u>81,700</u>	<u>\$</u>
			<u>232,284</u>	
TAXES RECEIVABLE BY YEAR:				
2018	<u>\$</u>	<u>81,700</u>	<u>\$</u>	<u>232,284</u>

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JANUARY 31, 2019**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PROPERTY VALUATIONS:				
Land	\$ 132,147,047	\$ 85,633,669	\$ 69,693,786	\$ 36,046,543
Improvements	256,043,038	162,459,218	81,883,202	33,257,539
Personal Property	1,234,344	616,659	93,908	20,655
Exemptions	<u>(11,274,871)</u>	<u>(9,363,773)</u>	<u>(9,246,310)</u>	<u>(6,654,371)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 378,149,558</u>	<u>\$ 239,345,773</u>	<u>\$ 142,424,586</u>	<u>\$ 62,670,366</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.725	\$ 0.70	\$ 0.70	\$ 0.00
Maintenance	<u>0.255</u>	<u>0.30</u>	<u>0.30</u>	<u>1.00</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.980</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
ADJUSTED TAX LEVY*	<u>\$ 3,705,866</u>	<u>\$ 2,393,726</u>	<u>\$ 1,423,111</u>	<u>\$ 625,906</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>91.53 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

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

Maintenance Tax – Maximum tax rate of an unlimited amount per \$100 of assessed valuation approved by voters on November 6, 2012.

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2019**

SERIES - 2016 UTILITY

Due During Fiscal Years Ending January 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2020	\$ 305,000	\$ 414,425	\$ 719,425
2021	315,000	397,375	712,375
2022	330,000	380,462	710,462
2023	345,000	363,587	708,587
2024	360,000	345,962	705,962
2025	370,000	327,712	697,712
2026	385,000	308,837	693,837
2027	405,000	293,137	698,137
2028	420,000	280,762	700,762
2029	435,000	267,937	702,937
2030	455,000	254,587	709,587
2031	475,000	240,638	715,638
2032	490,000	225,551	715,551
2033	515,000	209,219	724,219
2034	535,000	192,156	727,156
2035	555,000	174,445	729,445
2036	580,000	155,276	735,276
2037	600,000	134,626	734,626
2038	625,000	113,188	738,188
2039	650,000	90,875	740,875
2040	680,000	66,750	746,750
2041	705,000	40,781	745,781
2042	735,000	13,781	748,781
2043			
2044			
	<u>\$ 11,270,000</u>	<u>\$ 5,292,069</u>	<u>\$ 16,562,069</u>

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2019**

S E R I E S - 2 0 1 6 R O A D

Due During Fiscal Years Ending January 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2020	\$ 105,000	\$ 134,275	\$ 239,275
2021	115,000	128,775	243,775
2022	120,000	122,900	242,900
2023	130,000	116,650	246,650
2024	135,000	110,025	245,025
2025	150,000	102,900	252,900
2026	160,000	95,150	255,150
2027	165,000	87,025	252,025
2028	165,000	80,838	245,838
2029	170,000	76,650	246,650
2030	170,000	72,400	242,400
2031	170,000	67,937	237,937
2032	180,000	63,125	243,125
2033	175,000	58,025	233,025
2034	180,000	52,700	232,700
2035	185,000	47,225	232,225
2036	190,000	41,600	231,600
2037	195,000	35,825	230,825
2038	200,000	29,900	229,900
2039	205,000	23,825	228,825
2040	210,000	17,469	227,469
2041	220,000	10,750	230,750
2042	225,000	3,656	228,656
2043			
2044			
	<u>\$ 3,920,000</u>	<u>\$ 1,579,625</u>	<u>\$ 5,499,625</u>

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2019**

S E R I E S - 2 0 1 6 A R O A D

Due During Fiscal Years Ending January 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2020	\$ 115,000	\$ 103,325	\$ 218,325
2021	125,000	100,925	225,925
2022	130,000	98,375	228,375
2023	135,000	95,725	230,725
2024	140,000	92,975	232,975
2025	150,000	90,075	240,075
2026	155,000	87,025	242,025
2027	160,000	83,876	243,876
2028	170,000	80,469	250,469
2029	170,000	76,750	246,750
2030	175,000	72,650	247,650
2031	180,000	68,212	248,212
2032	180,000	63,712	243,712
2033	190,000	58,969	248,969
2034	195,000	53,794	248,794
2035	195,000	48,431	243,431
2036	200,000	42,750	242,750
2037	210,000	36,600	246,600
2038	215,000	30,225	245,225
2039	220,000	23,700	243,700
2040	220,000	17,100	237,100
2041	225,000	10,425	235,425
2042	235,000	3,525	238,525
2043			
2044			
	<u>\$ 4,090,000</u>	<u>\$ 1,439,613</u>	<u>\$ 5,529,613</u>

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2019**

SERIES - 2017 UTILITY

Due During Fiscal Years Ending January 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2020	\$ 145,000	\$ 184,519	\$ 329,519
2021	150,000	178,619	328,619
2022	160,000	172,419	332,419
2023	165,000	165,918	330,918
2024	170,000	159,218	329,218
2025	175,000	152,318	327,318
2026	185,000	145,118	330,118
2027	190,000	139,281	329,281
2028	195,000	134,219	329,219
2029	205,000	128,219	333,219
2030	215,000	121,919	336,919
2031	220,000	115,394	335,394
2032	230,000	108,644	338,644
2033	240,000	101,444	341,444
2034	245,000	93,866	338,866
2035	255,000	86,053	341,053
2036	265,000	77,928	342,928
2037	275,000	69,319	344,319
2038	285,000	60,219	345,219
2039	300,000	50,525	350,525
2040	310,000	40,231	350,231
2041	320,000	29,400	349,400
2042	335,000	17,938	352,938
2043	345,000	6,038	351,038
2044			
	<u>\$ 5,580,000</u>	<u>\$ 2,538,766</u>	<u>\$ 8,118,766</u>

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2019**

SERIES - 2017 ROAD

Due During Fiscal Years Ending January 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2020	\$ 235,000	\$ 290,381	\$ 525,381
2021	245,000	280,781	525,781
2022	255,000	270,781	525,781
2023	265,000	260,380	525,380
2024	275,000	249,582	524,582
2025	285,000	238,382	523,382
2026	295,000	226,782	521,782
2027	305,000	217,450	522,450
2028	320,000	210,018	530,018
2029	330,000	201,481	531,481
2030	340,000	191,844	531,844
2031	355,000	181,419	536,419
2032	370,000	170,544	540,544
2033	380,000	159,294	539,294
2034	395,000	147,669	542,669
2035	410,000	135,338	545,338
2036	425,000	122,291	547,291
2037	440,000	108,500	548,500
2038	460,000	93,875	553,875
2039	475,000	78,384	553,384
2040	495,000	62,015	557,015
2041	510,000	45,056	555,056
2042	530,000	27,506	557,506
2043	550,000	9,281	559,281
2044			
	<u>\$ 8,945,000</u>	<u>\$ 3,979,034</u>	<u>\$ 12,924,034</u>

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2019**

SERIES - 2018 UTILITY

Due During Fiscal Years Ending January 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2020	\$ 160,000	\$ 238,900	\$ 398,900
2021	195,000	231,582	426,582
2022	200,000	225,657	425,657
2023	215,000	219,432	434,432
2024	225,000	212,831	437,831
2025	245,000	205,781	450,781
2026	255,000	198,281	453,281
2027	260,000	190,556	450,556
2028	270,000	182,606	452,606
2029	275,000	174,431	449,431
2030	275,000	166,181	441,181
2031	280,000	157,856	437,856
2032	285,000	149,381	434,381
2033	285,000	140,653	425,653
2034	295,000	131,406	426,406
2035	305,000	121,656	426,656
2036	305,000	111,363	416,363
2037	315,000	100,513	415,513
2038	325,000	89,313	414,313
2039	330,000	77,438	407,438
2040	335,000	64,969	399,969
2041	350,000	52,125	402,125
2042	360,000	38,812	398,812
2043	420,000	24,187	444,187
2044	435,000	8,156	443,156
	<u>\$ 7,200,000</u>	<u>\$ 3,514,066</u>	<u>\$ 10,714,066</u>

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2019**

S E R I E S - 2 0 1 8 R O A D

Due During Fiscal Years Ending January 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2020	\$ 210,000	\$ 273,921	\$ 483,921
2021	230,000	265,031	495,031
2022	240,000	257,981	497,981
2023	245,000	250,706	495,706
2024	250,000	243,281	493,281
2025	245,000	235,856	480,856
2026	255,000	228,356	483,356
2027	265,000	220,556	485,556
2028	265,000	212,606	477,606
2029	280,000	204,432	484,432
2030	290,000	195,882	485,882
2031	300,000	187,032	487,032
2032	310,000	177,882	487,882
2033	325,000	168,153	493,153
2034	335,000	157,631	492,631
2035	350,000	146,500	496,500
2036	365,000	134,425	499,425
2037	375,000	121,475	496,475
2038	385,000	108,175	493,175
2039	405,000	93,844	498,844
2040	425,000	78,281	503,281
2041	440,000	62,062	502,062
2042	455,000	45,281	500,281
2043	480,000	27,750	507,750
2044	500,000	9,375	509,375
	<u>\$ 8,225,000</u>	<u>\$ 4,106,474</u>	<u>\$ 12,331,474</u>

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2019**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending January 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 1,275,000	\$ 1,639,746	\$ 2,914,746
2021	1,375,000	1,583,088	2,958,088
2022	1,435,000	1,528,575	2,963,575
2023	1,500,000	1,472,398	2,972,398
2024	1,555,000	1,413,874	2,968,874
2025	1,620,000	1,353,024	2,973,024
2026	1,690,000	1,289,549	2,979,549
2027	1,750,000	1,231,881	2,981,881
2028	1,805,000	1,181,518	2,986,518
2029	1,865,000	1,129,900	2,994,900
2030	1,920,000	1,075,463	2,995,463
2031	1,980,000	1,018,488	2,998,488
2032	2,045,000	958,839	3,003,839
2033	2,110,000	895,757	3,005,757
2034	2,180,000	829,222	3,009,222
2035	2,255,000	759,648	3,014,648
2036	2,330,000	685,633	3,015,633
2037	2,410,000	606,858	3,016,858
2038	2,495,000	524,895	3,019,895
2039	2,585,000	438,591	3,023,591
2040	2,675,000	346,815	3,021,815
2041	2,770,000	250,599	3,020,599
2042	2,875,000	150,499	3,025,499
2043	1,795,000	67,256	1,862,256
2044	935,000	17,531	952,531
	<u>\$ 49,230,000</u>	<u>\$ 22,449,647</u>	<u>\$ 71,679,647</u>

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JANUARY 31, 2019**

Description	Original Bonds Issued	Bonds Outstanding February 1, 2018	
Belmont Fresh Water Supply District No. 1 of Denton County Unlimited Tax Utility Bonds - Series 2016	\$ 11,565,000	\$ 11,565,000	
Belmont Fresh Water Supply District No. 1 of Denton County Unlimited Tax Road Bonds - Series 2016	4,015,000	4,015,000	
Belmont Fresh Water Supply District No. 1 of Denton County Unlimited Tax Road Bonds - Series 2016A	4,200,000	4,200,000	
Belmont Fresh Water Supply District No. 1 of Denton County Unlimited Tax Utility Bonds - Series 2017	5,580,000	5,580,000	
Belmont Fresh Water Supply District No. 1 of Denton County Unlimited Tax Road Bonds - Series 2017	8,945,000	8,945,000	
Belmont Fresh Water Supply District No. 1 of Denton County Unlimited Tax Utility Bonds - Series 2018	7,200,000		
Belmont Fresh Water Supply District No. 1 of Denton County Unlimited Tax Road Bonds - Series 2018	<u>8,225,000</u>		
TOTAL	<u>\$ 49,730,000</u>	<u>\$ 34,305,000</u>	
Bond Authority:	<u>Utility Bonds</u>	<u>Road Bonds</u>	<u>Utility and Road Refunding Bonds</u>
Amount Authorized by Voters	\$ 76,475,000	\$ 131,040,000	\$ 311,275,000
Amount Issued	<u>24,345,000</u>	<u>25,385,000</u>	
Remaining to be Issued	<u>\$ 52,130,000</u>	<u>\$ 105,655,000</u>	<u>\$ 311,275,000</u>

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding January 31, 2019</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 295,000	\$ 430,925	\$ 11,270,000	Regions Bank Houston, TX
	95,000	139,275	3,920,000	Regions Bank Houston, TX
	110,000	105,575	4,090,000	Regions Bank Houston, TX
		177,527	5,580,000	Regions Bank Houston, TX
		279,508	8,945,000	Regions Bank Houston, TX
7,200,000			7,200,000	Regions Bank Houston, TX
<u>8,225,000</u>			<u>8,225,000</u>	Regions Bank Houston, TX
<u>\$ 15,425,000</u>	<u>\$ 500,000</u>	<u>\$ 1,132,810</u>	<u>\$ 49,230,000</u>	

Debt Service Fund cash and investment balances as of January 31, 2019: \$ 4,065,538

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 2,867,186

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

See accompanying independent auditor's report.

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

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 959,054	\$ 752,507	\$ 417,784
Penalty and Interest	11,815	16,159	
Permit Fees	834,600	766,600	949,000
Franchise Fees	122,498	90,138	74,504
Miscellaneous Revenues	40,287	15,790	4,497
TOTAL REVENUES	\$ 1,968,254	\$ 1,641,194	\$ 1,445,785
EXPENDITURES			
Professional Fees	\$ 200,960	\$ 148,333	\$ 219,783
Contracted Services	189,306	111,936	78,404
Repairs and Maintenance	70,784	24,315	10,057
Inspection Services	331,851	294,780	250,014
Other	35,894	49,331	13,083
Capital Outlay	1,358,647		
TOTAL EXPENDITURES	\$ 2,187,442	\$ 628,695	\$ 571,341
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (219,188)	\$ 1,012,499	\$ 874,444
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$	\$ 50,000	\$ 62,164
Developer Advances			
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ 50,000	\$ 62,164
NET CHANGE IN FUND BALANCE	\$ (219,188)	\$ 1,062,499	\$ 936,608
BEGINNING FUND BALANCE	2,905,960	1,843,461	906,853
ENDING FUND BALANCE	\$ 2,686,772	\$ 2,905,960	\$ 1,843,461

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 632,645	\$ 174,664	48.8 %	45.8 %	28.9 %	46.9 %	35.1 %
		0.6	1.0			
674,835	312,550	42.4	46.7	65.6	50.0	63.0
41,122	9,190	6.2	5.5	5.2	3.0	1.9
819	32	2.0	1.0	0.3	0.1	
<u>\$ 1,349,421</u>	<u>\$ 496,436</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 153,724	\$ 101,799	10.2 %	9.0 %	15.2 %	11.4 %	20.5 %
49,345	73,384	9.6	6.8	5.4	3.7	14.8
		3.6	1.5	0.7		
215,480	93,480	16.9	18.0	17.3	16.0	18.8
84,412	33,670	1.8	3.0	0.9	6.3	6.8
80,310	227,645	69.0			6.0	45.9
<u>\$ 583,271</u>	<u>\$ 529,978</u>	<u>111.1 %</u>	<u>38.3 %</u>	<u>39.5 %</u>	<u>43.4 %</u>	<u>106.8 %</u>
\$ 766,150	\$ (33,542)	<u>(11.1) %</u>	<u>61.7 %</u>	<u>60.5 %</u>	<u>56.6 %</u>	<u>(6.8) %</u>
\$	\$					
	164,468					
<u>\$ - 0 -</u>	<u>\$ 164,468</u>					
\$ 766,150	\$ 130,926					
140,703	9,777					
<u>\$ 906,853</u>	<u>\$ 140,703</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 1,681,435	\$ 986,649	\$
Penalty and Interest	4,493		
Miscellaneous Revenues	27,155	2,621	1,309
TOTAL REVENUES	\$ 1,713,083	\$ 989,270	\$ 1,309
EXPENDITURES			
Tax Collection Expenditures	\$ 500,750	\$ 14,628	\$
Debt Service Interest and Fees	1,136,841	713,069	158,541
TOTAL EXPENDITURES	\$ 1,637,591	\$ 727,697	\$ 158,541
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 75,492	\$ 261,573	\$ (157,232)
OTHER FINANCING SOURCES (USES)			
Proceeds From Issuance of Long-Term Debt	\$ 119,653	\$ 241,250	\$ 977,706
NET CHANGE IN FUND BALANCE	\$ 195,145	\$ 502,823	\$ 820,474
BEGINNING FUND BALANCE	1,323,297	820,474	
ENDING FUND BALANCE	\$ 1,518,442	\$ 1,323,297	\$ 820,474
TOTAL ACTIVE RETAIL WATER CONNECTIONS	N/A	N/A	N/A
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	N/A	N/A	N/A

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$	\$	98.1 %	99.7 %	%	%	%
		0.3				
		1.6	0.3	100.0		
\$ - 0 -	\$ - 0 -	100.0 %	100.0 %	100.0 %	%	%
\$	\$	29.2 %	1.5 %	%	%	%
		66.4	72.1	12,111.6		
\$ - 0 -	\$ - 0 -	95.6 %	73.6 %	12,111.6 %	%	%
\$ - 0 -	\$ - 0 -	4.4 %	26.4 %	(12,011.6) %	N/A %	N/A %
\$ - 0 -	\$ - 0 -					
\$ - 0 -	\$ - 0 -					
\$ - 0 -	\$ - 0 -					
N/A	N/A					
N/A	N/A					

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JANUARY 31, 2019**

District Mailing Address - Belmont Fresh Water Supply District No. 1
of Denton County
c/o Crawford & Jordan LLP
3100 McKinnon Street, Suite 1100
Dallas, TX 75201

District Telephone Number - (214) 981-9090

Supervisors:	Term of Office (Elected or Appointed)	Fees of Office for the year ended January 31, 2019	Expense Reimbursements for the year ended January 31, 2019	Title
Matthew J. Befort	05/2018 05/2022 (Elected)	\$ 1,500	\$ 17	President
Charles D. Beagle	05/2016 05/2020 (Elected)	\$ 1,800	\$ 20	Vice President
Guinn W. Phillips	05/2018 05/2022 (Elected)	\$ 1,950	\$ 20	Secretary
David Booth	05/2018 05/2022 (Appointed)	\$ 1,500	\$ 15	Assistant Secretary

Notes: No Supervisor 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):
September 6, 2018.

The limit on Fees of Office that a Supervisor may receive during a fiscal year is \$7,200 as set by Board Resolution on August 6, 2007. Fees of Office are the amounts actually paid to a Supervisor during the District's current fiscal year.

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 1
OF DENTON COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JANUARY 31, 2019**

Consultants:	<u>Date Hired</u>	<u>Fees / Compensation for the year ended January 31, 2019</u>	<u>Title</u>
Crawford & Jordan, LLP	07/30/07	\$ 95,446	General Counsel
McCall Parkhurst & Horton L.L.P.		\$ 400,462	Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	01/15/14	\$ 14,400 \$ 24,400	Auditor AUP/Other Services
L & S District Services, LLC	04/18/18	\$ 12,908 \$ 2,100	Bookkeeper Bond Related
Kathi Dye CPA, LLC	01/23/08	\$ 5,905	Prior Bookkeeper
Jones & Carter, Inc.	08/06/07	\$ 616,857	Engineer
Robert W. Baird & Co. Incorporated	02/18/15	\$ 314,031	Financial Advisor
Debra Loggins		\$ -0-	Investment Officer

See accompanying independent auditor's report.

