

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Fort Bend County Fresh Water
Supply District No. 1
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Fresh Water Supply District No. 1 (the "District"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and were derived from and related 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, and the schedule of expenditures of federal awards, have 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

April 20, 2017

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Management’s discussion and analysis of Fort Bend County Fresh Water Supply District No. 1’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended December 31, 2016. 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 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 Position. The Statement of Net Position is the District-wide statement of its financial position presenting information that includes all of the District’s assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

FUND FINANCIAL STATEMENTS

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

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FUND FINANCIAL STATEMENTS (Continued)

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.

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 the Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$12,125,091 as of December 31, 2016. A portion of the District's net position reflects its net investment in capital assets (water and wastewater facilities less any debt used to acquire those assets that are still outstanding). The following is a comparative analysis of government-wide changes in net position:

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2016	2015	Change Positive (Negative)
Current and Other Assets	\$ 19,966,126	\$ 28,411,711	\$ (8,445,585)
Capital Assets (Net of Accumulated Depreciation)	25,550,582	16,992,250	8,558,332
Total Assets	\$ 45,516,708	\$ 45,403,961	\$ 112,747
Deferred Outflows of Resources	\$ 23,624	\$ -0-	\$ 23,624
Bonds Payable	\$ 28,703,466	\$ 29,332,598	\$ 629,132
Other Liabilities	1,928,087	1,751,661	(176,426)
Total Liabilities	\$ 30,631,553	\$ 31,084,259	\$ 452,706
Deferred Inflows of Resources	\$ 2,783,688	\$ 2,800,199	\$ 16,511
Net Position:			
Net Investment in Capital Assets	\$ 3,982,569	\$ 3,218,470	\$ 764,099
Restricted	3,177,730	3,757,109	(579,379)
Unrestricted	4,964,792	4,543,924	420,868
Total Net Position	\$ 12,125,091	\$ 11,519,503	\$ 605,588

The following table provides a summary of the District's operations for the years ending December 31, 2016, and 2015. The District's net position increased by \$605,588.

	Summary of Changes in the Statement of Activities		
	2016	2015	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,797,264	\$ 2,719,767	\$ 77,497
Service Revenues	479,945	392,336	87,609
Other Revenues	216,054	194,756	21,298
Total Revenues	\$ 3,493,263	\$ 3,306,859	\$ 186,404
Expenses for Services	2,887,675	2,397,734	(489,941)
Change in Net Position	\$ 605,588	\$ 909,125	\$ (303,537)
Net Position, Beginning of Year	11,519,503	10,610,378	909,125
Net Position, End of Year	\$ 12,125,091	\$ 11,519,503	\$ 605,588

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2016, were \$15,132,799, a decrease of \$8,650,494 from the prior year.

The General Fund fund balance increased by \$409,766 due to tax and service revenues exceeding operating expenditures.

The Debt Service Fund fund balance decreased by \$636,895, primarily due to the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance decreased by \$8,423,365, primarily due to capital outlay in the current year using proceeds of bonds received in prior years.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$520,477 more than budgeted revenues primarily due to tax revenues exceeding the budgeted amount. Actual expenditures were \$656,489 more than budgeted expenditures primarily due to higher capital outlay than budgeted.

CAPITAL ASSETS

Capital assets as of December 31, 2016, total \$25,550,582, and include water and wastewater facilities. Current year capital outlay included Televue Terrace Subdivision water and wastewater collection system, Phase II and Phase III water line improvements, Marbill Estates and Ridgeway Estates subdivision water distribution and wastewater collection system, Davis and West Davis water line, Trammel-Fresno water line, and water plant expansion costs.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2016	2015	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 7,000	\$	\$ 7,000
Construction in Progress	4,540,767	6,478,377	(1,937,610)
Capital Assets, Net of Accumulated Depreciation:			
Water System	16,283,483	8,608,782	7,674,701
Wastewater System	4,719,332	1,905,091	2,814,241
Total Net Capital Assets	\$ 25,550,582	\$ 16,992,250	\$ 8,558,332

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

LONG-TERM DEBT

As of December 31, 2016, the District had total bond debt payable of \$28,880,000. The changes in the debt position of the District during the fiscal year ended December 31, 2016 are summarized as follows:

Bond Debt Payable, January 1, 2016	\$ 29,480,000
Add: Bond Sale	4,430,000
Less: Bond Principal Paid/Refunded	<u>5,030,000</u>
Bond Debt Payable, December 31, 2016	<u>\$ 28,880,000</u>

The Series 2016 bonds carry an insured rating of "AA" from Standard and Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The underlying rating assigned to the Series 2016 Bonds is "Baa2". The District's other bonds were not rated for the current and prior years.

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 Fort Bend County Fresh Water Supply District No. 1, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, TX 77056.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2016

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 788,535	\$ 2,183,297
Investments	2,335,538	1,652,273
Receivables:		
Property Taxes	1,260,923	1,330,806
Penalty and Interest on Delinquent Taxes		
Service Accounts Receivable	63,080	
Other	897	
Prepaid Costs		
Due from Other Funds	2,173,655	
Due from Other Governmental Units	131,536	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 6,754,164	\$ 5,166,376
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ - 0 -	\$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 6,754,164	\$ 5,166,376

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 6,883,022	\$ 9,854,854	\$	\$ 9,854,854
3,134,331	7,122,142		7,122,142
	2,591,729		2,591,729
		165,073	165,073
	63,080		63,080
	897		897
		36,815	36,815
	2,173,655	(2,173,655)	
	131,536		131,536
		7,000	7,000
		4,540,767	4,540,767
		21,002,815	21,002,815
<u>\$ 10,017,353</u>	<u>\$ 21,937,893</u>	<u>\$ 23,578,815</u>	<u>\$ 45,516,708</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 23,624</u>	<u>\$ 23,624</u>
<u>\$ 10,017,353</u>	<u>\$ 21,937,893</u>	<u>\$ 23,602,439</u>	<u>\$ 45,540,332</u>

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

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2016

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 397,829	\$
Accrued Interest Payable		
Due to Other Funds		389,124
Security Deposits	36,515	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 434,344	\$ 389,124
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 1,514,921	\$ 1,584,805
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		3,192,447
Unassigned	4,804,899	
TOTAL FUND BALANCES	\$ 4,804,899	\$ 3,192,447
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,754,164	\$ 5,166,376
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
\$ 1,097,369	\$ 1,495,198	\$	\$ 1,495,198
		396,374	396,374
1,784,531	2,173,655	(2,173,655)	
	36,515		36,515
		1,040,000	1,040,000
		<u>27,663,466</u>	<u>27,663,466</u>
<u>\$ 2,881,900</u>	<u>\$ 3,705,368</u>	<u>\$ 26,926,185</u>	<u>\$ 30,631,553</u>
<u>\$ - 0 -</u>	<u>\$ 3,099,726</u>	<u>\$ (316,038)</u>	<u>\$ 2,783,688</u>
\$ 7,135,453	\$ 7,135,453	\$ (7,135,453)	\$
	3,192,447	(3,192,447)	
	4,804,899	(4,804,899)	
<u>\$ 7,135,453</u>	<u>\$ 15,132,799</u>	<u>\$ (15,132,799)</u>	<u>\$ - 0 -</u>
<u>\$ 10,017,353</u>	<u>\$ 21,937,893</u>		
		\$ 3,982,569	\$ 3,982,569
		3,177,730	3,177,730
		<u>4,964,792</u>	<u>4,964,792</u>
		<u>\$ 12,125,091</u>	<u>\$ 12,125,091</u>

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

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016**

Total Fund Balances - Governmental Funds \$ 15,132,799

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

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. Also, prepaid bond insurance is amortized over the life of the 60,439

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 25,550,582

Deferred tax revenues and penalty and interest receivable on delinquent taxes for the 2015 and prior tax levies became part of recognized revenue in the governmental activities of the District. 481,111

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:

Accrued Interest Payable	\$ (396,374)	
Bonds Payable	<u>(28,703,466)</u>	<u>(29,099,840)</u>

Total Net Position - Governmental Activities \$ 12,125,091

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

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FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,379,822	\$ 1,403,229
Water Revenues	196,237	
Regional Water Authority Fees	104,762	
Shared Facilities Revenues	154,536	
Tap Connection and Inspection Fees	24,410	
Penalty and Interest	100,646	57,202
Miscellaneous Revenues	24,264	10,214
TOTAL REVENUES	\$ 1,984,677	\$ 1,470,645
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 461,297	\$
Contracted Services	65,680	22,550
Purchased Sewer	53,000	
Utilities	33,389	
Repairs and Maintenance	72,563	
Regional Water Authority Assessment	215,325	
Depreciation		
Other	58,412	2,655
Capital Outlay	629,163	
Debt Service:		
Bond Principal		940,000
Bond Interest		1,074,905
Bond Issuance Costs		247,112
TOTAL EXPENDITURES/EXPENSES	\$ 1,588,829	\$ 2,287,222
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 395,848	\$ (816,577)
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ 13,918	\$ (13,918)
Proceeds From Issuance of Long-Term Debt		4,430,000
Transfer to Refunded Bond Escrow Agent		(4,196,454)
Bond Discount		(39,946)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 13,918	\$ 179,682
NET CHANGE IN FUND BALANCES	\$ 409,766	\$ (636,895)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2016	4,395,133	3,829,342
FUND BALANCES/NET POSITION - DECEMBER 31, 2016	\$ 4,804,899	\$ 3,192,447

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,783,051	\$ 14,213	\$ 2,797,264
	196,237		196,237
	104,762		104,762
	154,536		154,536
	24,410		24,410
	157,848	9,080	166,928
14,648	49,126		49,126
<u>\$ 14,648</u>	<u>\$ 3,469,970</u>	<u>\$ 23,293</u>	<u>\$ 3,493,263</u>
\$	\$ 461,297	\$	\$ 461,297
	88,230		88,230
	53,000		53,000
	33,389		33,389
	72,563	8,735	81,298
	215,325		215,325
		499,894	499,894
216	61,283		61,283
8,437,797	9,066,960	(9,066,960)	
	940,000	(940,000)	
	1,074,905	110,174	1,185,079
	247,112	(38,232)	208,880
<u>\$ 8,438,013</u>	<u>\$ 12,314,064</u>	<u>\$ (9,426,389)</u>	<u>\$ 2,887,675</u>
<u>\$ (8,423,365)</u>	<u>\$ (8,844,094)</u>	<u>\$ 9,449,682</u>	<u>\$ 605,588</u>
\$	\$	\$	\$
	4,430,000	(4,430,000)	
	(4,196,454)	4,196,454	
	(39,946)	39,946	
<u>\$ -0-</u>	<u>\$ 193,600</u>	<u>\$ (193,600)</u>	<u>\$ -0-</u>
\$ (8,423,365)	\$ (8,650,494)	\$ 8,650,494	\$
		605,588	605,588
<u>15,558,818</u>	<u>23,783,293</u>	<u>(12,263,790)</u>	<u>11,519,503</u>
<u>\$ 7,135,453</u>	<u>\$ 15,132,799</u>	<u>\$ (3,007,708)</u>	<u>\$ 12,125,091</u>

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

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Net Change in Fund Balances - Governmental Funds	\$ (8,650,494)
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.	14,213
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	9,080
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(499,894)
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.	9,058,225
Bond discounts and bond insurance premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	78,178
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.	940,000
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.	(110,174)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(4,430,000)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.	<u>4,196,454</u>
Change in Net Position - Governmental Activities	<u>\$ 605,588</u>

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

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. CREATION OF DISTRICT

Fort Bend County Fresh Water Supply District No. 1 of Fort Bend County, Texas (the “District”) was created as a political subdivision of the State of Texas pursuant to an order of the Fort Bend County Commissioner’s Court dated January 18, 1997, and operates in accordance with Article XVI, Section 59 of the Texas Constitution and the Texas Water Code, Chapters 49 and 53. The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water and the collection, transportation and treatment of wastewater. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts. The Board of Supervisors held its first meeting on February 11, 1997, and sold its first bonds on October 2, 2006. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

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

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 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.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted 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 by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

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

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

Debt Service Fund – To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting 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 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 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 the 2015 tax levy collections during the period of October 1, 2015 to December 31, 2016, and taxes collected from January 1, 2016 to December 31, 2016, for the 2014 and prior tax levies. The 2016 tax levy has been fully deferred to meet the operating expenditures for the 2017 fiscal year.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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.

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 two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Water System	10-45
Wastewater System	10-45

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.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that directors are considered to be “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 assets, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental 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 Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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.

NOTE 3. LONG-TERM DEBT

	Series 2006A	Series 2006B	Series 2008	Series 2010
Amount Outstanding – December 31, 2016	\$ 4,230,000	\$ 115,000	\$ 7,170,000	\$ 4,670,000
Interest Rates	2.45% - 2.85%	4.77%	4.21% - 4.96%	2.80% - 4.60%
Maturity Dates - Serially Beginning/Ending	August 15, 2017/2027	August 15, 2017	August 15, 2017/2038	August 15, 2017/2039
Interest Payment Dates	February 15/ August 15	February 15/ August 15	February 15/ August 15	February 15/ August 15
Callable Dates	August 15, 2016*	August 15, 2016*	August 15, 2018*	August 15, 2020*
		Series 2010A	Series 2015	Series 2016
Amount Outstanding – December 31, 2016		\$ 420,000	\$ 7,845,000	\$ 4,430,000
Interest Rates		N/A	0.51% - 4.30%	2.00% - 3.50%
Maturity Dates - Serially Beginning/Ending		August 15, 2017/2030	August 15, 2017/2045	August 15, 2017/2037
Interest Payment Dates		N/A	February 15/ August 15	February 15/ August 15
Callable Dates		N/A	August 15, 2025*	August 15, 2025*

* Or any interest payment date thereafter, at the option of the District, in whole or in part, at par plus accrued interest to the date fixed for redemption. Series 2016 term bonds due August 15, 2030, August 15, 2033, and August 15, 2037, are subject to mandatory redemption on August 15, 2028, August 15, 2031, and August 15, 2034, respectively.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2016:

	January 1, 2016	Additions	Retirements	December 31, 2016
Bonds Payable	\$ 29,480,000	\$ 4,430,000	\$ 5,030,000	\$ 28,880,000
Unamortized Discounts	(147,402)	(39,946)	(10,814)	(176,534)
Bonds Payable, Net	\$ 29,332,598	\$ 4,390,054	\$ 5,019,186	\$ 28,703,466
			Amount Due Within One Year	\$ 1,040,000
			Amount Due After One Year	27,663,466
			Bonds Payable, Net	\$ 28,703,466

As of December 31, 2016, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 1,040,000	\$ 1,056,998	\$ 2,096,998
2018	1,070,000	1,029,511	2,099,511
2019	1,100,000	1,002,980	2,102,980
2020	1,120,000	974,269	2,094,269
2021	1,145,000	943,882	2,088,882
2022-2026	6,295,000	4,183,012	10,478,012
2027-2031	5,530,000	3,132,325	8,662,325
2032-2036	6,060,000	2,011,715	8,071,715
2037-2041	3,880,000	740,253	4,620,253
2042-2045	1,640,000	179,435	1,819,435
	\$ 28,880,000	\$ 15,254,380	\$ 44,134,380

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. The District has remaining new money bond authorization of \$4,955,000 and refunding bond authorization of \$58,625,000.

During the year ended December 31, 2016, the District levied an ad valorem debt service tax rate of \$0.50 per \$100 of assessed valuation, which resulted in a tax levy of \$1,391,844 on the adjusted taxable valuation of \$278,352,373 for the 2016 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.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3. LONG-TERM DEBT (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 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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 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.

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

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 \$10,073,566 and the bank balance was \$9,891,524. The District was not exposed to custodial credit risk as of year-end. The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2016, as listed below:

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

	Cash	Certificate of Deposit	Total
GENERAL FUND	\$ 788,535	\$ 218,712	\$ 1,007,247
DEBT SERVICE FUND	2,183,297		2,183,297
CAPITAL PROJECTS FUND	6,883,022		6,883,022
TOTAL DEPOSITS	\$ 9,854,854	\$ 218,712	\$ 10,073,566

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, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (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.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool. Federated Investors, Inc. manages the daily operations of TexPool under a contract with the Comptroller. TexPool and the many market mutual fund meet the criteria established in GASB Statement No. 79 and measure all portfolio assets at amortized cost. There are no limitations or restrictions on withdrawals from these investments.

As of December 31, 2016, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 2,116,826	\$ 2,116,826
Certificate of Deposit	218,712	218,712
<u>DEBT SERVICE FUND</u>		
TexPool	1,652,273	1,652,273
<u>CAPITAL PROJECTS FUND</u>		
Money Market Mutual Fund	3,134,331	3,134,331
TOTAL INVESTMENTS	\$ 7,122,142	\$ 7,122,142

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2016, the District's investments in both TexPool and the money market mutual fund were rated AAAM by Standard and Poor's. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and the money market mutual fund to have maturities of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there have been significant changes in values.

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.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016:

	January 1, 2016	Increases	Decreases	December 31, 2016
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$	\$ 7,000	\$	\$ 7,000
Construction in Progress	<u>6,478,377</u>	<u>9,058,226</u>	<u>10,995,836</u>	<u>4,540,767</u>
Capital Assets Subject to Depreciation				
Water System	\$ 10,399,001	\$ 8,082,935	\$	\$ 18,481,936
Wastewater System	<u>1,930,399</u>	<u>2,905,901</u>	<u></u>	<u>4,836,300</u>
Total Capital Assets Subject to Depreciation	<u>\$ 12,329,400</u>	<u>\$ 10,988,836</u>	<u>\$ - 0 -</u>	<u>\$ 23,318,236</u>
Less Accumulated Depreciation				
Water System	\$ 1,790,219	\$ 408,234	\$	\$ 2,198,453
Wastewater System	<u>25,308</u>	<u>91,660</u>	<u></u>	<u>116,968</u>
Total Accumulated Depreciation	<u>\$ 1,815,527</u>	<u>\$ 499,894</u>	<u>\$ - 0 -</u>	<u>\$ 2,315,421</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 10,513,873</u>	<u>\$ 10,488,942</u>	<u>\$ - 0 -</u>	<u>\$ 21,002,815</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 16,992,250</u>	<u>\$ 19,554,168</u>	<u>\$ 10,995,836</u>	<u>\$ 25,550,582</u>

NOTE 7. MAINTENANCE TAX

At an election held on November 4, 2014, the voters of the District authorized the levy and collection of an annual maintenance tax for the operation and maintenance of the District's improvements in an amount not to exceed \$0.50 per \$100 of assessed valuation. The maintenance tax is to be used by the General Fund to pay the expenditures of operating the District's facilities as well as to pay for general and administrative costs. During the year ended December 31, 2016, the District levied an ad valorem maintenance tax rate of \$0.50 per \$100 of assessed valuation, which resulted in a tax levy of \$1,391,844 on the adjusted taxable valuation of \$278,352,373 for the 2016 tax year. The 2016 tax levy has been fully deferred to meet fiscal year 2017 expenditures.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. The District participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide various types of property and liability insurance coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 9. FORT BEND COUNTY GRANT AGREEMENT

On November 17, 2011, the District entered into an agreement with Fort Bend County. The County applied for and received an FY2008 Environmental Protection Agency State and Tribal Assistance Grant (STAG) for \$478,000 to be used for the design and construction of portions of the regional water system. The District is responsible for providing matching funds for the project.

NOTE 10. REGIONAL FACILITIES CONTRACT

On August 18, 2005, the District entered into a Regional Facilities Contract (Contract) with the City of Arcola (the City) for the provision of water and wastewater service. This contract was subsequently amended on April 11, 2006, September 25, 2012, and March 28, 2016. The Regional Sewer System (RSS), including the initial expansion, is owned and operated by the City. The District pays a portion of those RSS expenses directly attributable to the RSS, plus an administrative overhead fee not to exceed 20% of the District's portion of total RSS expenses. These RSS expenses are prorated based on relative capacity in the RSS. The District also pays a portion of variable RSS expenses based on the ratio of metered flow to the District versus total discharge.

The Contract also provided for the design and construction of the Regional Water System (Water System) to provide water service to both the District and the City. The portion of the Water System upstream of the water point of delivery plus the measuring equipment will be owned and maintained by the District and those portions downstream will be owned and maintained by the City. This contract was amended extending the term of the contract through September 30, 2053.

NOTE 11. ESCROW REQUIREMENTS

In compliance with orders of the Texas Water Development Board (the "TWDB"), the District escrowed Series 2006A bond proceeds for the purpose of financing the acquisition and construction of a sanitary sewer system, Series 2008 bond proceeds for the purpose of financing certain water system improvements, Series 2010 bond proceeds for the acquisition and construction of a wastewater collection system, and Series 2015 bond proceeds for the acquisition and construction of water transmission facilities. The District will remove all or a portion of the funds from escrow in accordance with the written approval of the TWDB. The released funds may be used by the District as provided in the order authorizing issuance of the Bonds or as ordered by the TWDB.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12. EMERGENCY WATER SUPPLY AGREEMENT

On May 23, 2006, the District entered into an Emergency Water Supply Agreement with Fort Bend County Municipal Utility District No. 23 (District No. 23). The District was responsible for all costs associated with construction of such water interconnect facilities to be connected to District's system. The rates for emergency water service are \$1.00 per 1,000 gallons plus any per 1,000 gallon pumpage fee that may be imposed on the supplying district by a governmental entity, including but not limited to the City of Missouri City or a regional water authority. The term of this agreement is 40 years.

NOTE 13. DUE TO / FROM OTHER FUNDS AND TRANSFERS

In connection with the construction of its water and sanitary sewer system, the District periodically enters into Plumbing Service Contracts for the installation of private-side water facilities necessary to bring water service from the District's tap to a qualifying resident's home. The funds allocated to these particular contracts originate from three distinct sources. The District receives some funds in the form of reimbursement from Fort Bend County pursuant to the Community Development Block Grant ("CDBG") program. This occurs when individual applicants (residents of the District) qualify for CDBG assistance. Secondly, certain portions of such contracts (i.e. all portions of the work done within the public right-of-way) are paid for through the District's DFUND loans from the Texas Water Development Board. Finally, the remaining funds for such projects come from the District's General Fund. In order to simplify payment of Contractor invoices, the balance of each such invoice is paid from the General Fund.

As of December 31, 2016, the Capital Projects Fund owed the General Fund \$1,784,531 for construction and engineering services previously paid by the General Fund but recently approved to be paid by the Capital Projects Fund and plumbing service contract costs. As of December 31, 2016, the District's Debt Service Fund owed the General Fund \$389,124 for tax collections.

During the current year, the Debt Service Fund transferred \$13,918 to the General Fund to reimburse bond issuance costs.

NOTE 14. COMMUNITY DEVELOPMENT BLOCK GRANT

On February 19, 2009, the District entered an agreement with Fort Bend County regarding Community Development Block Grant (CDBG) funds. The agreement allocates \$250,000 to the District for use in connection with the Fresno Gardens house service line connection project. On March 21, 2013, this agreement was amended to increase CDBG funding from \$250,000 to \$275,000. The District received no funds in the current year.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 15. NORTH FORT BEND WATER AUTHORITY

The District has entered into a Groundwater Reduction Plan Participation Agreement with the North Fort Bend Water Authority (the "Authority"). The Authority's purposes include the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The District agrees to pay the Authority a water well pumpage fee, based on the amount of water pumped from all well(s) owned and operated by the District. This fee will enable the Authority to fulfill its purpose and regulatory functions. The fee charged as of year-end was \$2.75 per 1,000 gallons of water pumped from each well. The District incurred costs of \$215,325 during the current fiscal year in relation to this agreement. The term of this agreement is for 40 years from the effective date of the agreement.

NOTE 16. REFUNDING BOND SALE

On March 22, 2016, the District closed on the sale of its \$4,430,000 Series 2016 Unlimited Tax Refunding Bonds. The proceeds were used to refund \$4,090,000 of Series 2006B Bonds with interest rates of 4.87% to 5.62%, maturities of 2018-2037, and a callable date of August 15, 2016. The refunding resulted in gross debt service savings of \$922,342 and net present value savings of \$617,069.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2016

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 1,031,000	\$ 1,379,822	\$ 348,822
Water Revenues	190,000	196,237	6,237
Regional Water Authority Fees	87,000	104,762	17,762
Shared Facilities Revenues	60,000	154,536	94,536
Tap Connection and Inspection Fees	15,750	24,410	8,660
Penalty and Interest	25,000	100,646	75,646
Miscellaneous Revenues	<u>55,450</u>	<u>24,264</u>	<u>(31,186)</u>
TOTAL REVENUES	<u>\$ 1,464,200</u>	<u>\$ 1,984,677</u>	<u>\$ 520,477</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 380,000	\$ 461,297	\$ (81,297)
Contracted Services	104,800	65,680	39,120
Purchased Sewer Services	70,000	53,000	17,000
Utilities	37,700	33,389	4,311
Repairs and Maintenance	80,000	72,563	7,437
Regional Water Authority Assessment	140,000	215,325	(75,325)
Other	69,840	58,412	11,428
Capital Outlay	<u>50,000</u>	<u>629,163</u>	<u>(579,163)</u>
TOTAL EXPENDITURES	<u>\$ 932,340</u>	<u>\$ 1,588,829</u>	<u>\$ (656,489)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 531,860</u>	<u>\$ 395,848</u>	<u>\$ (136,012)</u>
OTHER FINANCING SOURCES(USES)			
Transfers In	<u>\$ -0-</u>	<u>\$ 13,918</u>	<u>\$ 13,918</u>
NET CHANGE IN FUND BALANCE	\$ 531,860	\$ 409,766	\$ (122,094)
FUND BALANCE - JANUARY 1, 2016	<u>4,395,133</u>	<u>4,395,133</u>	<u>_____</u>
FUND BALANCE - DECEMBER 31, 2016	<u>\$ 4,926,993</u>	<u>\$ 4,804,899</u>	<u>\$ (122,094)</u>

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FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2016

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

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

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order approved December 27, 2016.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$20.00	3,000	N	\$2.50	3,001 to 5,000
				\$4.00	5,001 to 7,500
				\$4.25	7,501 to 10,000
				\$4.50	10,001 to 15,000
				\$4.75	15,001 to 20,000
				\$5.00	20,001 to 25,000
				\$6.00	25,001 to 35,000
				\$7.00	35,001 and up
WASTEWATER:	\$30.00	3,000	N	\$1.75	3,001 and up

SURCHARGE:

Regional Water Authority Fees \$2.92 per 1,000 gallons

District employs winter averaging for wastewater usage?

 X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$45.63 Wastewater: \$42.25 Surcharge: \$29.20

Note: Sewer service is provided to District customers by the City of Arcola.

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2016**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	<u>579</u>	<u>548</u>	x 1.0	<u>548</u>
1"	<u>10</u>	<u>9</u>	x 2.5	<u>23</u>
1½"	<u>2</u>	<u>2</u>	x 5.0	<u>10</u>
2"	<u>6</u>	<u>6</u>	x 8.0	<u>48</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>597</u></u>	<u><u>565</u></u>		<u><u>629</u></u>
Total Wastewater Connections	<u><u>591</u></u>	<u><u>559</u></u>	x 1.0	<u><u>559</u></u>

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

Gallons pumped into system:	78,288,000	Water Accountability Ratio: 80% (Gallons billed and sold /Gallons pumped)
Gallons billed to customers:	38,602,000	
Gallons sold:	23,962,000	To: <u>City of Arcola, Texas</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Fort Bend County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ's in which District is located:

City of Houston, Texas; City of Pearland, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2016**

PROFESSIONAL FEES:	
Auditing	\$ 19,900
Engineering	256,141
Legal	137,279
Delinquent Tax Attorney	<u>47,977</u>
TOTAL PROFESSIONAL FEES	<u>\$ 461,297</u>
PURCHASED WASTEWATER SERVICE	<u>\$ 53,000</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 6,000
Operations and Billing	58,030
Tax Collector	<u>1,650</u>
TOTAL CONTRACTED SERVICES	<u>\$ 65,680</u>
UTILITIES:	
Electricity	\$ 31,720
Telephone	<u>1,669</u>
TOTAL UTILITIES	<u>\$ 33,389</u>
REPAIRS AND MAINTENANCE	<u>\$ 72,563</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 14,300
Insurance	10,885
Office Supplies and Postage	11,754
Payroll Taxes	1,220
Other	<u>2,104</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 40,263</u>
TOTAL CAPITAL OUTLAY	<u>\$ 629,163</u>
TAP CONNECTIONS	<u>\$ 11,603</u>
OTHER EXPENDITURES:	
Chemicals	\$ 911
Laboratory Fees	1,627
Permit Fees	1,245
Inspection Fees	1,838
Regional Water Authority Assessment	215,325
Regulatory Assessment	<u>925</u>
TOTAL OTHER EXPENDITURES	<u>\$ 221,871</u>
TOTAL EXPENDITURES	<u>\$ 1,588,829</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
INVESTMENTS
DECEMBER 31, 2016**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 2,116,826	\$
Certificate of Deposit	XXXX7147	0.10%	04/23/17	218,712	_____
TOTAL GENERAL FUND				<u>\$ 2,335,538</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0002	Varies	Daily	<u>\$ 1,652,273</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
Money Market Mutual Fund	XXXX0001	Varies	Monthly	<u>\$ 3,134,331</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u><u>\$ 7,122,142</u></u>	<u><u>\$ - 0 -</u></u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Maintenance Taxes	Debt Service Taxes
TAXES RECEIVABLE -		
JANUARY 1, 2016	\$ 1,257,945	\$ 1,351,834
Adjustments to Beginning		
Balance	<u>(1,163)</u>	<u>(1,771)</u>
	\$ 1,256,782	\$ 1,350,063
Original 2016 Tax Levy	\$ 1,108,584	\$ 1,108,584
Adjustment to 2016 Tax Levy	<u>283,260</u>	<u>283,260</u>
	<u>1,391,844</u>	<u>1,391,844</u>
TOTAL TO BE		
ACCOUNTED FOR	\$ 2,648,626	\$ 2,741,907
TAX COLLECTIONS:		
Prior Years	\$ 1,133,704	\$ 1,157,102
Current Year	<u>253,999</u>	<u>253,999</u>
	<u>1,387,703</u>	<u>1,411,101</u>
TAXES RECEIVABLE -		
DECEMBER 31, 2016	<u>\$ 1,260,923</u>	<u>\$ 1,330,806</u>
TAXES RECEIVABLE BY		
YEAR:		
2016	\$ 1,137,845	\$ 1,137,845
2015	58,300	58,300
2014	23,049	23,049
2013	8,872	26,615
2012	6,839	20,516
2011	5,410	16,229
2010	3,966	11,897
2009	3,790	11,369
2008	3,381	10,143
2007	3,059	9,177
2006	1,889	5,666
2005 and prior	<u>4,523</u>	<u> </u>
TOTAL	<u>\$ 1,260,923</u>	<u>\$ 1,330,806</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
TOTAL PROPERTY VALUATIONS:	\$ <u>278,352,373</u>	\$ <u>279,970,126</u>	\$ <u>271,516,169</u>	\$ <u>272,300,685</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.75
Maintenance	<u>0.50</u>	<u>0.50</u>	<u>0.50</u>	<u>0.25</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
ADJUSTED TAX LEVY*	<u>\$ 2,783,688</u>	<u>\$ 2,800,200</u>	<u>\$ 2,715,522</u>	<u>\$ 2,723,007</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>18.25 %</u>	<u>95.84 %</u>	<u>98.30 %</u>	<u>98.70 %</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 \$0.50 per \$100 of assessed valuation approved by voters on November 4, 2014.

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2016

S E R I E S - 2 0 0 6 A

Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2017	\$ 335,000	\$ 112,720	\$ 447,720
2018	345,000	104,512	449,512
2019	355,000	95,888	450,888
2020	365,000	86,836	451,836
2021	370,000	77,347	447,347
2022	380,000	67,725	447,725
2023	395,000	57,655	452,655
2024	405,000	46,990	451,990
2025	415,000	35,852	450,852
2026	425,000	24,440	449,440
2027	440,000	12,540	452,540
2028			
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2045			
	\$ 4,230,000	\$ 722,505	\$ 4,952,505

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2016

S E R I E S - 2 0 0 6 B

Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2017	\$ 115,000	\$ 5,486	\$ 120,486
2018			
2019			
2020			
2021			
2022			
2023			
2024			
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2044			
2045			
	<u>\$ 115,000</u>	<u>\$ 5,486</u>	<u>\$ 120,486</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2016

S E R I E S - 2 0 0 8

Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2017	\$ 195,000	\$ 340,037	\$ 535,037
2018	205,000	331,827	536,827
2019	215,000	322,992	537,992
2020	220,000	313,511	533,511
2021	230,000	303,698	533,698
2022	240,000	293,326	533,326
2023	255,000	282,501	537,501
2024	265,000	270,874	535,874
2025	275,000	258,657	533,657
2026	290,000	245,842	535,842
2027	305,000	232,183	537,183
2028	320,000	217,818	537,818
2029	335,000	202,586	537,586
2030	350,000	186,472	536,472
2031	365,000	169,637	534,637
2032	385,000	151,898	536,898
2033	400,000	133,187	533,187
2034	420,000	113,747	533,747
2035	440,000	93,335	533,335
2036	465,000	71,951	536,951
2037	485,000	49,352	534,352
2038	510,000	25,296	535,296
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	\$ 7,170,000	\$ 4,610,727	\$ 11,780,727

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2016

S E R I E S - 2 0 1 0

Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2017	\$ 130,000	\$ 195,548	\$ 325,548
2018	135,000	191,908	326,908
2019	140,000	187,790	327,790
2020	140,000	183,240	323,240
2021	145,000	178,410	323,410
2022	150,000	173,118	323,118
2023	160,000	167,492	327,492
2024	165,000	161,332	326,332
2025	170,000	154,815	324,815
2026	180,000	148,015	328,015
2027	185,000	140,725	325,725
2028	195,000	133,048	328,048
2029	200,000	124,760	324,760
2030	210,000	116,160	326,160
2031	220,000	107,025	327,025
2032	230,000	97,345	327,345
2033	240,000	87,225	327,225
2034	250,000	76,544	326,544
2035	260,000	65,420	325,420
2036	270,000	53,590	323,590
2037	285,000	41,170	326,170
2038	300,000	28,060	328,060
2039	310,000	14,260	324,260
2040			
2041			
2042			
2043			
2044			
2045			
	\$ 4,670,000	\$ 2,827,000	\$ 7,497,000

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2016

S E R I E S - 2 0 1 0 A

Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due	Total
2017	\$ 30,000	\$	\$ 30,000
2018	30,000		30,000
2019	30,000		30,000
2020	30,000		30,000
2021	30,000		30,000
2022	30,000		30,000
2023	30,000		30,000
2024	30,000		30,000
2025	30,000		30,000
2026	30,000		30,000
2027	30,000		30,000
2028	30,000		30,000
2029	30,000		30,000
2030	30,000		30,000
2031			
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2045			
	\$ 420,000	\$ - 0 -	\$ 420,000

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2016

S E R I E S - 2 0 1 5

Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2017	\$ 185,000	\$ 271,507	\$ 456,507
2018	185,000	270,564	455,564
2019	185,000	269,010	454,010
2020	190,000	266,882	456,882
2021	190,000	264,127	454,127
2022	195,000	260,821	455,821
2023	195,000	256,882	451,882
2024	200,000	252,494	452,494
2025	205,000	247,615	452,615
2026	210,000	242,366	452,366
2027	220,000	236,424	456,424
2028	225,000	229,670	454,670
2029	230,000	222,334	452,334
2030	240,000	214,446	454,446
2031	250,000	205,853	455,853
2032	260,000	196,629	456,629
2033	265,000	186,800	451,800
2034	280,000	176,545	456,545
2035	290,000	165,485	455,485
2036	300,000	153,827	453,827
2037	315,000	141,617	456,617
2038	325,000	128,639	453,639
2039	340,000	115,119	455,119
2040	355,000	100,873	455,873
2041	370,000	85,892	455,892
2042	385,000	70,204	455,204
2043	400,000	53,803	453,803
2044	420,000	36,723	456,723
2045	435,000	18,705	453,705
	<u>\$ 7,845,000</u>	<u>\$ 5,341,856</u>	<u>\$ 13,186,856</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2016

S E R I E S - 2 0 1 6

Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2017	\$ 50,000	\$ 131,700	\$ 181,700
2018	170,000	130,700	300,700
2019	175,000	127,300	302,300
2020	175,000	123,800	298,800
2021	180,000	120,300	300,300
2022	185,000	116,700	301,700
2023	190,000	113,000	303,000
2024	190,000	107,300	297,300
2025	200,000	101,600	301,600
2026	205,000	95,600	300,600
2027	210,000	89,450	299,450
2028	215,000	83,150	298,150
2029	225,000	76,432	301,432
2030	230,000	69,400	299,400
2031	240,000	62,212	302,212
2032	245,000	54,412	299,412
2033	250,000	46,450	296,450
2034	260,000	38,325	298,325
2035	270,000	29,225	299,225
2036	280,000	19,775	299,775
2037	285,000	9,975	294,975
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	\$ 4,430,000	\$ 1,746,806	\$ 6,176,806

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2016

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2017	\$ 1,040,000	\$ 1,056,998	\$ 2,096,998
2018	1,070,000	1,029,511	2,099,511
2019	1,100,000	1,002,980	2,102,980
2020	1,120,000	974,269	2,094,269
2021	1,145,000	943,882	2,088,882
2022	1,180,000	911,690	2,091,690
2023	1,225,000	877,530	2,102,530
2024	1,255,000	838,990	2,093,990
2025	1,295,000	798,539	2,093,539
2026	1,340,000	756,263	2,096,263
2027	1,390,000	711,322	2,101,322
2028	985,000	663,686	1,648,686
2029	1,020,000	626,112	1,646,112
2030	1,060,000	586,478	1,646,478
2031	1,075,000	544,727	1,619,727
2032	1,120,000	500,284	1,620,284
2033	1,155,000	453,662	1,608,662
2034	1,210,000	405,161	1,615,161
2035	1,260,000	353,465	1,613,465
2036	1,315,000	299,143	1,614,143
2037	1,370,000	242,114	1,612,114
2038	1,135,000	181,995	1,316,995
2039	650,000	129,379	779,379
2040	355,000	100,873	455,873
2041	370,000	85,892	455,892
2042	385,000	70,204	455,204
2043	400,000	53,803	453,803
2044	420,000	36,723	456,723
2045	435,000	18,705	453,705
	<u>\$ 28,880,000</u>	<u>\$ 15,254,380</u>	<u>\$ 44,134,380</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2016**

Description	Original Bonds Issued	Bonds Outstanding January 1, 2016
Fort Bend County Fresh Water Supply District No. 1 Sanitary Sewer System Unlimited Tax Bonds - Series 2006A	\$ 6,935,000	\$ 4,560,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Bonds - Series 2006B	5,035,000	4,315,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Bonds - Series 2008	8,500,000	7,360,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Bonds - Series 2010	5,285,000	4,795,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Bonds - Series 2010A	600,000	450,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Bonds - Series 2015	8,000,000	8,000,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Refunding Bonds - Series 2016	<u>4,430,000</u>	<u> </u>
TOTAL	<u>\$ 38,785,000</u>	<u>\$ 29,480,000</u>
Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 39,310,000	\$ 58,965,000
Amount Issued	<u>34,355,000</u>	<u>340,000</u>
Remaining to be Issued	<u>\$ 4,955,000</u>	<u>\$ 58,625,000</u>

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding December 31, 2016</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 330,000	\$ 120,640	\$ 4,230,000	Wells Fargo Bank N.A. Houston, TX
	4,200,000	122,784	115,000	Wells Fargo Bank N.A. Houston, TX
	190,000	347,846	7,170,000	Wells Fargo Bank N.A. Houston, TX
	125,000	198,672	4,670,000	Wells Fargo Bank N.A. Houston, TX
	30,000		420,000	Wells Fargo Bank N.A. Houston, TX
	155,000	232,648	7,845,000	Amegy Bank N.A. Houston, TX
<u>4,430,000</u>		<u>52,315</u>	<u>4,430,000</u>	Amegy Bank N.A. Houston, TX
<u>\$ 4,430,000</u>	<u>\$ 5,030,000</u>	<u>\$ 1,074,905</u>	<u>\$ 28,880,000</u>	

Debt Service Fund cash and investment balances as of December 31, 2016 \$ 3,835,570

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,521,875

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

See accompanying independent auditor's report.

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

	Amounts		
	2016	2015	2014
REVENUES			
Property Taxes	\$ 1,379,822	\$ 1,343,540	\$ 685,151
Water Revenues	196,237	193,101	171,691
Regional Water Authority Fees	104,762	91,068	70,520
Shared Facilities Revenues	154,536	98,120	47,678
Tap Connection and Inspection Fees	24,410	34,047	72,033
Penalty and Interest	100,646	74,823	72,648
Miscellaneous Revenues	24,264	11,875	21,368
TOTAL REVENUES	\$ 1,984,677	\$ 1,846,574	\$ 1,141,089
EXPENDITURES			
Professional Fees	\$ 461,297	\$ 378,042	\$ 258,628
Contracted Services	65,680	54,583	43,407
Purchased Sewer	53,000	44,047	46,032
Utilities	33,389	31,570	28,694
Repairs and Maintenance	72,563	73,348	87,767
Regional Water Authority Assessment	215,325	144,690	97,596
Other	58,412	60,350	88,545
Capital Outlay	629,163		
TOTAL EXPENDITURES	\$ 1,588,829	\$ 786,630	\$ 650,669
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 395,848	\$ 1,059,944	\$ 490,420
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ 13,918	\$ - 0 -	\$ 49,778
NET CHANGE IN FUND BALANCE	\$ 409,766	\$ 1,059,944	\$ 540,198
BEGINNING FUND BALANCE	4,395,133	3,335,189	2,794,991
ENDING FUND BALANCE	\$ 4,804,899	\$ 4,395,133	\$ 3,335,189

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2013	2012	2016	2015	2014	2013	2012
\$ 661,023	\$ 639,595	69.5 %	72.8 %	60.0 %	60.9 %	70.9 %
168,869	123,602	9.9	10.5	15.0	15.6	13.7
55,694	27,824	5.3	4.9	6.2	5.1	3.1
24,308		7.8	5.3	4.2	2.2	
74,526	24,687	1.2	1.8	6.3	6.9	2.7
79,172	76,283	5.1	4.1	6.4	7.3	8.4
21,960	10,854	1.2	0.6	1.9	2.0	1.2
<u>\$ 1,085,552</u>	<u>\$ 902,845</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 267,682	\$ 328,628	23.2 %	20.5 %	22.7 %	24.7 %	36.4 %
71,393	54,205	3.3	3.0	3.8	6.6	6.0
54,824	77,650	2.7	2.4	4.0	5.1	8.6
27,550	21,646	1.7	1.7	2.5	2.5	2.4
73,212	36,171	3.7	4.0	7.7	6.7	4.0
69,687	38,275	10.8	7.8	8.6	6.4	4.2
98,370	44,309	2.9	3.3	7.8	9.1	4.9
111,383	38,264	31.7			10.3	4.2
<u>\$ 774,101</u>	<u>\$ 639,148</u>	<u>80.0 %</u>	<u>42.7 %</u>	<u>57.1 %</u>	<u>71.4 %</u>	<u>70.7 %</u>
\$ 311,451	\$ 263,697	20.0 %	57.3 %	42.9 %	28.6 %	29.3 %
\$ - 0 -	\$ - 0 -					
\$ 311,451	\$ 263,697					
<u>2,483,540</u>	<u>2,219,843</u>					
<u>\$ 2,794,991</u>	<u>\$ 2,483,540</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2016	2015	2014
REVENUES			
Property Taxes	\$ 1,403,229	\$ 1,408,397	\$ 2,049,736
Penalty and Interest	57,202	57,338	77,785
Miscellaneous Revenues	10,214	6,130	5,408
TOTAL REVENUES	\$ 1,470,645	\$ 1,471,865	\$ 2,132,929
EXPENDITURES			
Tax Collection Expenditures	\$ 22,292	\$ 34,806	\$ 24,399
Debt Service Principal	940,000	760,000	745,000
Debt Service Interest and Fees	1,077,818	926,616	947,673
Bond Issuance Costs	247,112		
TOTAL EXPENDITURES	\$ 2,287,222	\$ 1,721,422	\$ 1,717,072
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (816,577)	\$ (249,557)	\$ 415,857
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ (13,918)	\$	\$
Proceeds From Issuance of Long-Term Debt	4,430,000		
Transfer to Refunded Bond Escrow Agent	(4,196,454)		
Bond Discount	(39,946)		
TOTAL OTHER FINANCING SOURCES (USES)	\$ 179,682	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ (636,895)	\$ (249,557)	\$ 415,857
BEGINNING FUND BALANCE	3,829,342	4,078,899	3,663,042
ENDING FUND BALANCE	\$ 3,192,447	\$ 3,829,342	\$ 4,078,899
TOTAL ACTIVE RETAIL WATER CONNECTIONS	565	548	521
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	559	541	-0-

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2013	2012	2016	2015	2014	2013	2012
\$ 1,977,966	\$ 1,914,260	95.4 %	95.7 %	96.1 %	96.1 %	96.1 %
77,442	74,247	3.9	3.9	3.6	3.7	3.7
3,724	4,607	0.7	0.4	0.3	0.2	0.2
<u>\$ 2,059,132</u>	<u>\$ 1,993,114</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 611	\$ 9,212	1.5 %	2.4 %	1.1 %	%	0.5 %
715,000	700,000	63.9	51.6	34.9	34.7	35.1
965,391	983,225	73.3	63.0	44.4	46.9	49.3
		16.8				
<u>\$ 1,681,002</u>	<u>\$ 1,692,437</u>	<u>155.5 %</u>	<u>117.0 %</u>	<u>80.4 %</u>	<u>81.6 %</u>	<u>84.9 %</u>
\$ 378,130	\$ 300,677	<u>(55.5) %</u>	<u>(17.0) %</u>	<u>19.6 %</u>	<u>18.4 %</u>	<u>15.1 %</u>
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 378,130	\$ 300,677					
3,284,912	2,984,235					
<u>\$ 3,663,042</u>	<u>\$ 3,284,912</u>					
480	361					
<u>-0-</u>	<u>-0-</u>					

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2016**

District Mailing Address - Fort Bend County Fresh Water Supply District No. 1
c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP
1980 Post Oak, Suite 1380
Houston, TX 77056

District Telephone Number - (713) 850-9000

Supervisors	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>December 31, 2016</u>	Expense Reimbursements for the year ended <u>December 31, 2016</u>	<u>Title</u>
Paul Hamilton	05/14 05/18 (Elected)	\$ 4,850	\$ 343	President
Greg Fleck	05/16 05/20 (Elected)	\$ 2,800	\$ -0-	Vice President
Calvin Casher	05/16 05/20 (Elected)	\$ 3,200	\$ 64	Secretary
Rosa Linda Medina	05/16 05/20 (Elected)	\$ 2,800	\$ -0-	Assistant Secretary
Rodrigo Carreon	05/14 05/18 (Elected)	\$ -0-	\$ -0-	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 15, 2016.

The limit on Fees of Office that a Supervisor may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on July 17, 2003 and May 12, 2016. Fees of Office are the amounts actually paid to a Supervisor during the District's current fiscal year.

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2016**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2016</u>	<u>Title</u>
Sanford Kuhl Hagan Kugle Parker Kahn LLP	01/21/10	\$ 180,998 \$ 90,580	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	11/01/01	\$ 19,900 \$ 750	Auditor Bond Related
Phyllis M. Smith Herbst, CPA	10/25/00	\$ 6,000 \$ -0-	Bookkeeper/ Investment Officer
Jacobs Engineering Group, Inc.	01/15/09	\$ 729,415	Engineer
Robert W. Baird & Co. Inc.	02/19/15	\$ 46,583	Financial Advisor
Environmental Development Partners	07/01/12	\$ 393,629	Operator
Patricia Schultz	10/25/00	\$ 1,936	Tax Assessor/ Collector
Felipe Gonzalez Hernandez	06/30/16	\$ 1,650	Tax Assessor/ Collector

See accompanying independent auditor's report.

