

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2017

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2017

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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, 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2017, 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.

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

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 schedule of expenditures of federal awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. Such 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

June 15, 2018

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017. 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 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 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, 2017

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 \$12,967,263 as of December 31, 2017. 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, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Changes in the Statement of Net Position			
	2017	2016	Change Positive (Negative)
Current and Other Assets	\$ 14,571,232	\$ 19,966,126	\$ (5,394,894)
Capital Assets (Net of Accumulated Depreciation)	30,395,902	25,550,582	4,845,320
Total Assets	\$ 44,967,134	\$ 45,516,708	\$ (549,574)
Deferred Outflows of Resources	\$ 194,534	\$ 23,624	\$ 170,910
Bonds Payable	\$ 28,174,285	\$ 28,703,466	\$ 529,181
Other Liabilities	785,528	1,928,087	1,142,559
Total Liabilities	\$ 28,959,813	\$ 30,631,553	\$ 1,671,740
Deferred Inflows of Resources	\$ 3,234,592	\$ 2,783,688	\$ (450,904)
Net Position:			
Net Investment in Capital Assets	\$ 5,871,436	\$ 3,982,569	\$ 1,888,867
Restricted	2,755,564	3,177,730	(422,166)
Unrestricted	4,340,263	4,964,792	(624,529)
Total Net Position	\$ 12,967,263	\$ 12,125,091	\$ 842,172

The following table provides a summary of the District's operations for the years ending December 31, 2017, and 2016. The District's net position increased by \$842,172.

Summary of Changes in the Statement of Activities			
	2017	2016	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,781,294	\$ 2,797,264	\$ (15,970)
Service Revenues	935,249	479,945	455,304
Grant Revenues	433,814		433,814
Other Revenues	252,840	216,054	36,786
Total Revenues	\$ 4,403,197	\$ 3,493,263	\$ 909,934
Expenses for Services	3,561,025	2,887,675	(673,350)
Change in Net Position	\$ 842,172	\$ 605,588	\$ 236,584
Net Position, Beginning of Year	12,125,091	11,519,503	605,588
Net Position, End of Year	\$ 12,967,263	\$ 12,125,091	\$ 842,172

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2017, were \$10,300,600, a decrease of \$4,832,199 from the prior year.

The General Fund fund balance decreased by \$670,968 primarily due to transfers to the Capital Projects Fund.

The Debt Service Fund fund balance decreased by \$675,597, primarily due to the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance decreased by \$3,485,634, primarily due to capital outlay paid from bond proceeds received in prior years in addition to transfers from the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Supervisors did not amend the budget during the fiscal year. Actual revenues were \$644,365 more than budgeted revenues primarily due to tax revenues, service revenues and tap connection fees exceeding the budgeted amounts. Actual expenditures were \$776,656 more than budgeted expenditures primarily due to higher professional fees, repairs and maintenance, water authority assessments, tap connection costs and capital outlay than budgeted.

CAPITAL ASSETS

Capital assets as of December 31, 2017, total \$30,395,902, and include water and wastewater facilities. Current year capital outlay included Teleview Terrace Subdivision water and wastewater service lines, Phase II and Phase III water line improvements, Marbill Estates and Ridgeway Estates subdivision water distribution and wastewater collection system, and Trammel-Fresno water line.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2017	2016	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 7,000	\$ 7,000	\$
Construction in Progress	2,705,203	4,540,767	(1,835,564)
Capital Assets, Net of Accumulated Depreciation:			
Water System	19,152,943	16,283,483	2,869,460
Wastewater System	8,530,756	4,719,332	3,811,424
Total Net Capital Assets	<u>\$ 30,395,902</u>	<u>\$ 25,550,582</u>	<u>\$ 4,845,320</u>

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

LONG-TERM DEBT

As of December 31, 2017, the District had total bond debt payable of \$27,860,000. The changes in the debt position of the District during the fiscal year ended December 31, 2017, are summarized as follows:

Bond Debt Payable, January 1, 2017	\$ 28,880,000
Add: Bond Sale	5,365,000
Less: Bond Principal Paid/Refunded	<u>6,385,000</u>
Bond Debt Payable, December 31, 2017	<u>\$ 27,860,000</u>

The Series 2016 and Series 2017 bonds carry an insured rating of "AA" from Standard and Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company and Assured Guaranty Municipal Corporation, respectively. The underlying rating assigned to the Series 2016 and Series 2017 Bonds is "Baa1". 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, 2017

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 1,990,571	\$ 1,012,080
Investments	526,669	3,371,106
Receivables:		
Property Taxes	1,469,841	1,528,586
Penalty and Interest on Delinquent Taxes		
Service Accounts Receivable	201,729	
Other	26,247	
Prepaid Costs		
Due from Other Funds	1,720,963	
Due from Other Governmental Units	159,221	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 6,095,241</u>	<u>\$ 5,911,772</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 6,095,241</u></u>	<u><u>\$ 5,911,772</u></u>

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 1,594,430	\$ 4,597,081	\$	\$ 4,597,081
2,437,974	6,335,749		6,335,749
	2,998,427		2,998,427
		183,178	183,178
	201,729		201,729
	26,247		26,247
		69,600	69,600
	1,720,963	(1,720,963)	
	159,221		159,221
		7,000	7,000
		2,705,203	2,705,203
		27,683,699	27,683,699
<u>\$ 4,032,404</u>	<u>\$ 16,039,417</u>	<u>\$ 28,927,717</u>	<u>\$ 44,967,134</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 194,534</u>	<u>\$ 194,534</u>
<u>\$ 4,032,404</u>	<u>\$ 16,039,417</u>	<u>\$ 29,122,251</u>	<u>\$ 45,161,668</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, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 160,321	\$
Accrued Interest Payable		
Due to Other Funds		1,570,305
Security Deposits	46,961	
Accrued Interest at Time of Sale		11,844
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 207,282</u>	<u>\$ 1,582,149</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 1,754,028</u>	<u>\$ 1,812,773</u>
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		2,516,850
Unassigned	<u>4,133,931</u>	
TOTAL FUND BALANCES	<u>\$ 4,133,931</u>	<u>\$ 2,516,850</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 6,095,241</u>	<u>\$ 5,911,772</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
\$ 231,927	\$ 392,248	\$	\$ 392,248
		334,475	334,475
150,658	1,720,963	(1,720,963)	
	46,961		46,961
	11,844		11,844
		1,100,000	1,100,000
		27,074,285	27,074,285
<u>\$ 382,585</u>	<u>\$ 2,172,016</u>	<u>\$ 26,787,797</u>	<u>\$ 28,959,813</u>
<u>\$ - 0 -</u>	<u>\$ 3,566,801</u>	<u>\$ (332,209)</u>	<u>\$ 3,234,592</u>
\$ 3,649,819	\$ 3,649,819	\$ (3,649,819)	\$
	2,516,850	(2,516,850)	
	4,133,931	(4,133,931)	
<u>\$ 3,649,819</u>	<u>\$ 10,300,600</u>	<u>\$ (10,300,600)</u>	<u>\$ - 0 -</u>
<u>\$ 4,032,404</u>	<u>\$ 16,039,417</u>		
		\$ 5,871,436	\$ 5,871,436
		2,755,564	2,755,564
		4,340,263	4,340,263
		<u>\$ 12,967,263</u>	<u>\$ 12,967,263</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, 2017

Total Fund Balances - Governmental Funds	\$ 10,300,600
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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 bonds.	264,134
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	30,395,902
--	------------

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2016 and prior tax levies became part of recognized revenue in the governmental activities of the District.	515,387
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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	\$ (334,475)	
Bonds Payable	(28,174,285)	(28,508,760)
Total Net Position - Governmental Activities		\$ 12,967,263

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, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 1,376,887	\$ 1,388,236
Water Revenues	341,731	
Wastewater Revenues	65,543	
Water Authority Fees	197,590	
Shared Facilities Revenues	174,221	
Tap Connection and Inspection Fees	156,164	
Grant Revenues		
Penalty and Interest	89,390	46,152
Miscellaneous Revenues	60,739	24,376
TOTAL REVENUES	<u>\$ 2,462,265</u>	<u>\$ 1,458,764</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 651,876	\$
Contracted Services	82,486	24,358
Purchased Sewer	49,421	
Utilities	38,794	
Repairs and Maintenance	154,017	
Water Authority Assessments	312,695	
Depreciation		
Other	263,419	7,348
Capital Outlay	419,098	
Debt Service:		
Bond Principal		1,040,000
Bond Interest		1,056,997
Bond Issuance Costs		295,455
TOTAL EXPENDITURES/EXPENSES	<u>\$ 1,971,806</u>	<u>\$ 2,424,158</u>
EXCESS (DEFICIENCY) OF REVENUES OVER		
EXPENDITURES/EXPENSES	<u>\$ 490,459</u>	<u>\$ (965,394)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ (1,161,427)	\$ (19,198)
Proceeds From Issuance of Long-Term Debt		5,365,000
Transfer to Refunded Bond Escrow Agent		(5,542,210)
Bond Premium		486,205
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (1,161,427)</u>	<u>\$ 289,797</u>
NET CHANGE IN FUND BALANCES	<u>\$ (670,968)</u>	<u>\$ (675,597)</u>
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
JANUARY 1, 2017	<u>4,804,899</u>	<u>3,192,447</u>
FUND BALANCES/NET POSITION -		
DECEMBER 31, 2017	<u><u>\$ 4,133,931</u></u>	<u><u>\$ 2,516,850</u></u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,765,123	\$ 16,171	\$ 2,781,294
	341,731		341,731
	65,543		65,543
	197,590		197,590
	174,221		174,221
	156,164		156,164
433,814	433,814		433,814
	135,542	18,105	153,647
14,078	99,193		99,193
<u>\$ 447,892</u>	<u>\$ 4,368,921</u>	<u>\$ 34,276</u>	<u>\$ 4,403,197</u>
\$	\$ 651,876	\$ 6,804	\$ 658,680
	106,844		106,844
	49,421		49,421
	38,794		38,794
	154,017	629	154,646
	312,695		312,695
		680,013	680,013
483	271,250		271,250
5,113,668	5,532,766	(5,532,766)	
	1,040,000	(1,040,000)	
	1,056,997	(63,770)	993,227
	295,455		295,455
<u>\$ 5,114,151</u>	<u>\$ 9,510,115</u>	<u>\$ (5,949,090)</u>	<u>\$ 3,561,025</u>
<u>\$ (4,666,259)</u>	<u>\$ (5,141,194)</u>	<u>\$ 5,983,366</u>	<u>\$ 842,172</u>
\$ 1,180,625	\$	\$	\$
	5,365,000	(5,365,000)	
	(5,542,210)	5,542,210	
	486,205	(486,205)	
<u>\$ 1,180,625</u>	<u>\$ 308,995</u>	<u>\$ (308,995)</u>	<u>\$ -0-</u>
\$ (3,485,634)	\$ (4,832,199)	\$ 4,832,199	\$
		842,172	842,172
<u>7,135,453</u>	<u>15,132,799</u>	<u>(3,007,708)</u>	<u>12,125,091</u>
<u>\$ 3,649,819</u>	<u>\$ 10,300,600</u>	<u>\$ 2,666,663</u>	<u>\$ 12,967,263</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, 2017

Net Change in Fund Balances - Governmental Funds	\$ (4,832,199)
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.	16,171
Governmental funds report penalty and interest revenues on property taxes when collected. However, in the Statement of Activities, revenue are recorded when penalty and interest are assessed.	18,105
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.	(680,013)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	5,525,333
Bond premiums, 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.	(486,205)
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.	1,040,000
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.	63,770
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(5,365,000)
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.	5,542,210
Change in Net Position - Governmental Activities	<u>\$ 842,172</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, 2017

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”). 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.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017

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.

Deferred inflows of resources related to property tax revenues are those taxes which the District does not expect to be collected soon enough in the subsequent period to finance current expenditures. Property taxes considered available by the District and included in revenue include the 2016 tax levy collections during the period of October 1, 2016 to December 31, 2017, and taxes collected from January 1, 2017 to December 31, 2017, for the 2015 and prior tax levies. The 2017 tax levy has been fully deferred to meet the operating expenditures for the 2018 fiscal year.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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:

	<u>Years</u>
Water System	10-45
Wastewater System	10-45

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.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 supervisors 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 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 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, 2017

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 2008	Series 2010	Series 2010A
Amount Outstanding – December 31, 2017	\$ 3,895,000	\$ 1,630,000	\$ 4,540,000	\$ 390,000
Interest Rates	2.50% - 2.85%	4.31% - 4.61%	3.05% - 4.60%	N/A
Maturity Dates - Serially Beginning/Ending	August 15, 2018/2027	August 15, 2018/2024	August 15, 2018/2039	August 15, 2018/2030
Interest Payment Dates	February 15/ August 15	February 15/ August 15	February 15/ August 15	N/A
Callable Dates	August 15, 2016*	August 15, 2018*	August 15, 2020*	N/A
		Series 2015	Series 2016	Series 2017
Amount Outstanding – December 31, 2017		\$ 7,660,000	\$ 4,380,000	\$ 5,365,000
Interest Rates		0.84% - 4.30%	2.00% - 3.50%	2.00% - 4.00%
Maturity Dates - Serially Beginning/Ending		August 15, 2018/2045	August 15, 2018/2037	August 15, 2018/2038
Interest Payment Dates		February 15/ August 15	February 15/ August 15	February 15/ August 15
Callable Dates		August 15, 2025*	August 15, 2025*	August 15, 2027*

* 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, 2017

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2017:

	January 1, 2017	Additions	Retirements	December 31, 2017
Bonds Payable	\$ 28,880,000	\$ 5,365,000	\$ 6,385,000	\$ 27,860,000
Unamortized Discounts	(176,534)		(11,211)	(165,323)
Unamortized Premiums		486,205	6,597	479,608
Bonds Payable, Net	<u>\$ 28,703,466</u>	<u>\$ 5,851,205</u>	<u>\$ 6,380,386</u>	<u>\$ 28,174,285</u>
			Amount Due Within One Year	\$ 1,100,000
			Amount Due After One Year	27,074,285
			Bonds Payable, Net	<u>\$ 28,174,285</u>

As of December 31, 2017, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 1,100,000	\$ 974,578	\$ 2,074,578
2019	1,110,000	956,923	2,066,923
2020	1,130,000	928,012	2,058,012
2021	1,155,000	897,426	2,052,426
2022	1,190,000	864,932	2,054,932
2023-2027	6,555,000	3,749,748	10,304,748
2028-2032	5,265,000	2,732,476	7,997,476
2033-2037	6,235,000	1,650,773	7,885,773
2038-2042	2,865,000	562,247	3,427,247
2043-2045	1,255,000	109,231	1,364,231
	<u>\$ 27,860,000</u>	<u>\$ 13,426,346</u>	<u>\$ 41,286,346</u>

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 \$83,955,000 and refunding bond authorization of \$173,605,000.

During the year ended December 31, 2017, 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 \$1,617,296 on the adjusted taxable valuation of \$323,157,464 for the 2017 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, 2017

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 \$4,816,011 and the bank balance was \$4,670,108. The District was not exposed to custodial credit risk as of year-end.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 December 31, 2017, as listed below:

	Cash	Certificate of Deposit	Total
GENERAL FUND	\$ 1,990,571	\$ 218,930	\$ 2,209,501
DEBT SERVICE FUND	1,012,080		1,012,080
CAPITAL PROJECTS FUND	1,594,430		1,594,430
TOTAL DEPOSITS	<u>\$ 4,597,081</u>	<u>\$ 218,930</u>	<u>\$ 4,816,011</u>

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 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 money market mutual fund measure all portfolio assets at amortized cost. There are no limitations or restrictions on withdrawals from these investments. The District records certificates of deposit at amortized cost.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of December 31, 2017, 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	\$ 307,739	\$ 307,739
Certificate of Deposit	218,930	218,930
<u>DEBT SERVICE FUND</u>		
TexPool	3,371,106	3,371,106
<u>CAPITAL PROJECTS FUND</u>		
Money Market Mutual Fund	<u>2,437,974</u>	<u>2,437,974</u>
TOTAL INVESTMENTS	<u>\$ 6,335,749</u>	<u>\$ 6,335,749</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2017, the District's investments in both TexPool and the money market mutual fund were rated AAAM by Standard and Poor's. The District also manages credit risk by 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 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. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

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, 2017

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017:

	January 1, 2017	Increases	Decreases	December 31, 2017
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 7,000	\$	\$	\$ 7,000
Construction in Progress	<u>4,540,767</u>	<u>5,525,333</u>	<u>7,360,897</u>	<u>2,705,203</u>
Capital Assets Subject to Depreciation				
Water System	\$ 18,481,936	\$ 3,407,088	\$	\$ 21,889,024
Wastewater System	<u>4,836,300</u>	<u>3,953,809</u>	<u></u>	<u>8,790,109</u>
Total Capital Assets Subject to Depreciation	<u>\$ 23,318,236</u>	<u>\$ 7,360,897</u>	<u>\$ - 0 -</u>	<u>\$ 30,679,133</u>
Less Accumulated Depreciation				
Water System	\$ 2,198,453	\$ 537,628	\$	\$ 2,736,081
Wastewater System	<u>116,968</u>	<u>142,385</u>	<u></u>	<u>259,353</u>
Total Accumulated Depreciation	<u>\$ 2,315,421</u>	<u>\$ 680,013</u>	<u>\$ - 0 -</u>	<u>\$ 2,995,434</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 21,002,815</u>	<u>\$ 6,680,884</u>	<u>\$ - 0 -</u>	<u>\$ 27,683,699</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 25,550,582</u>	<u>\$ 12,206,217</u>	<u>\$ 7,360,897</u>	<u>\$ 30,395,902</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, 2017, the District levied an ad valorem maintenance tax rate of \$0.50 per \$100 of assessed valuation, which resulted in a tax levy of \$1,617,296 on the adjusted taxable valuation of \$323,157,464 for the 2017 tax year. The 2017 tax levy has been fully deferred to meet fiscal year 2018 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, 2017

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. The District spent the final \$216,348 of the STAG funds in the current year.

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. During the current year, funds from Series 2006A, Series 2008 and a portion of Series 2010 were released from escrow. As of year-end, only funds from Series 2010 and Series 2015 remain in escrow.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 the 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, 2017, the Capital Projects Fund owed the General Fund \$150,658 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, 2017, the District's Debt Service Fund owed the General Fund \$1,570,305 for tax collections.

During the current year, the Debt Service Fund transferred \$19,198 to the General Fund to reimburse bond issuance costs. The General Fund transferred \$1,180,625 to the Capital Projects Fund to cover construction and engineering services previously paid by the Capital Projects Fund and plumbing service contract 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 \$217,466 in the current year.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 \$3.05 per 1,000-gallons of water pumped from each well. The District incurred costs of \$312,695 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 September 21, 2017, the District closed on the sale of its \$5,365,000 Series 2017 Unlimited Tax Refunding Bonds. The proceeds were used to refund \$5,345,000 of Series 2008 Bonds with interest rates of 4.66% to 4.96%, maturities of 2025-2038, and a callable date of August 15, 2018. The refunding resulted in gross debt service savings of \$762,879 and net present value savings of \$531,167.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

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, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,325,000	\$ 1,376,887	\$ 51,887
Water Revenues	190,000	341,731	151,731
Wastewater Revenues		65,543	65,543
Water Authority Fees	100,000	197,590	97,590
Shared Facilities Revenues	145,000	174,221	29,221
Tap Connection and Inspection Fees	15,750	156,164	140,414
Penalty and Interest	39,400	89,390	49,990
Miscellaneous Revenues	2,750	60,739	57,989
TOTAL REVENUES	<u>\$ 1,817,900</u>	<u>\$ 2,462,265</u>	<u>\$ 644,365</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 545,000	\$ 651,876	\$ (106,876)
Contracted Services	79,400	82,486	(3,086)
Purchased Sewer Services	70,000	49,421	20,579
Utilities	41,700	38,794	2,906
Repairs and Maintenance	80,000	154,017	(74,017)
Water Authority Assessments	216,000	312,695	(96,695)
Other	113,050	263,419	(150,369)
Capital Outlay	50,000	419,098	(369,098)
TOTAL EXPENDITURES	<u>\$ 1,195,150</u>	<u>\$ 1,971,806</u>	<u>\$ (776,656)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 622,750</u>	<u>\$ 490,459</u>	<u>\$ (132,291)</u>
OTHER FINANCING SOURCES(USES)			
Transfers In	<u>\$ -0-</u>	<u>\$ (1,161,427)</u>	<u>\$ (1,161,427)</u>
NET CHANGE IN FUND BALANCE	\$ 622,750	\$ (670,968)	\$ (1,293,718)
FUND BALANCE - JANUARY 1, 2017	<u>4,804,899</u>	<u>4,804,899</u>	
FUND BALANCE - DECEMBER 31, 2017	<u><u>\$ 5,427,649</u></u>	<u><u>\$ 4,133,931</u></u>	<u><u>\$ (1,293,718)</u></u>

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**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SUPPLEMENTARY INFORMATION –
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

DECEMBER 31, 2017

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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June 15, 2018

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

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 15, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (Reference No. 2017-001).

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

June 15, 2018

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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June 15, 2018

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

**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control
over Compliance Required by the Uniform Guidance**

Report on Compliance for Each Major Federal Program

We have audited Fort Bend County Fresh Water Supply District No. 1's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston Texas

June 15, 2018

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Loan/Contract/Warrant Grant Award Number</u>	<u>Federal Expenditures</u>
Environmental Protection Agency:			
Clean Water State Revolving Fund, Series 2006A Unlimited Tax Bonds, Pass-Through Loan from the Texas Water Development Board	66.458	L132800	\$ 2,444,545
Clean Water State Revolving Fund, Series 2010 Unlimited Tax Bonds, Pass-Through Loan from the Texas Water Development Board	66.458	L100027	2,593,142
Total Clean Water State Revolving Fund			<u>5,037,687</u>
FY 2008 State and Tribal Assistance Grant ("STAG"), Pass-Through Fort Bend County Community Development Department		XP-00F30401-0	216,347
Total Environmental Protection Agency:			<u>5,254,034</u>
Department of Housing and Urban Development Community Development Block Grant, Pass- Through Fort Bend County Community Development Department	14.218	B-03-UC-48-0004	217,467
Total Federal Awards Expended			<u>\$ 5,471,501</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal award includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2. GRANT FUNDS

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 \$217,466 in the current year.

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. The District spent the final \$216,348 of the STAG funds in the current year.

NOTE 3. BOND PROCEEDS

The District has expended Series 2006A Unlimited Tax Bonds funds in the amount of \$6,935,000 from the TWDB, a pass-through entity for the Environmental Protection Agency's Clean Water State Revolving Fund, plus interest earnings. Of the funds expended, \$2,444,545 was expended in the current year. Bond proceeds were used for the purposes of financing the acquisition and construction of a sanitary sewer system. As of December 31, 2017, all 2006A bond proceeds have been expended.

The District has expended Series 2010 Unlimited Tax Bonds funds in the amount of \$3,997,796 from the TWDB, a pass-through entity for the Environmental Protection Agency's Clean Water State Revolving Fund, plus interest earnings. Of the funds expended, \$2,593,142 was expended in the current year. Bond proceeds are used for the purposes of financing the acquisition and construction of a wastewater collection system. As of year-end, \$1,287,204 remained in escrow. This project is still in progress as of year-end.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4. MATCHING COSTS

Matching Costs, the nonfederal share of certain program costs, are not included on the Schedule.

NOTE 5. INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 6. FEDERALLY FUNDED LOAN PROGRAMS

The District participates in certain federally funded loan programs, but none are direct from the federal agency. Certain outstanding bond issues were originally funded through the Clean Water State Revolving Fund via the Texas Water Development Board and involve no continuing compliance requirements other than to repay the loan. Only the Series 2010 funds are still available to fund programs. All others were expended in prior years.

<u>Series</u>	<u>Funded Through</u>	<u>Balance January 1, 2017</u>	<u>Balance December 31, 2017</u>
2006A	CWSRF	\$ 4,230,000	\$ 3,895,000
2010	CWSRF	\$ 4,670,000	\$ 4,540,000

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Section I — Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant Deficiencies(s) identified
that are not considered to be
material weaknesses? yes X None reported

Noncompliance material to financial
statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant Deficiencies(s) identified
that are not considered to be material
weakness(es)? yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with 2 CFR 200.516 of Uniform Guidance yes X no

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

66.458 Environmental Protection Agency Clean Water State Revolving Fund

Dollar threshold used to distinguish

between type A and type B programs:

\$750,000

Audited Qualified as low-risk auditee?

 yes

 X no

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Section II — Financial Statement Findings

Reference No. 2017-001

Criteria: Uniform Guidance states that the auditee shall prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with .710 Financial Statements. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework, even if the auditor assists in drafting the financial statements.

Condition: The accounting function does not include preparation of the financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America. Accordingly, the District has not established internal controls over the preparation of its financial statements. Also, during the course of performing our audit, we prepared various journal entries to present the financial statements on the government-wide basis of accounting. In addition, we prepared the capital asset and depreciation schedules and posted adjustments related to the presentation of the capital assets in the government-wide financial statements.

Cause: The District does not employ an individual or consultant to prepare financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America.

Effect: This condition and the reliance on the auditor to perform these functions is considered to be a material weakness in the system of internal controls.

Recommendation: We recommend that the Board of Supervisors consider the requirements in the context of other entities of similar size and the District's facts and circumstances.

View of Responsible Officials: The Board of Supervisors is elected from the general population and do not necessarily have governmental accounting expertise. The Board engages consultants who possess industry knowledge and expertise to provide financial services, as well as legal and professional engineering services. Based on the auditor's unmodified opinion and after reading the financial statements, the Board believes the financial statements to be materially correct. The Board does not think that the addition of an employee or consultant to perform or reperform the annual financial reporting process is necessary, nor would it be cost effective.

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Section III— Federal Award Findings and Questioned Costs

None

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017**

None

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2017

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2017

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>1,318</u>	<u>1,268</u>	x 1.0	<u>1,268</u>
1"	<u>11</u>	<u>11</u>	x 2.5	<u>28</u>
1½"	<u>2</u>	<u>2</u>	x 5.0	<u>10</u>
2"	<u>4</u>	<u>4</u>	x 8.0	<u>32</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"	<u>1</u>	<u>1</u>	x 115.0	<u>115</u>
Total Water Connections	<u>1,336</u>	<u>1,286</u>		<u>1,453</u>
Total Wastewater Connections	<u>310</u>	<u>304</u>	x 1.0	<u>304</u>

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

Gallons pumped into system:	103,120,000	Water Accountability Ratio: 78.8% (Gallons billed and sold /Gallons pumped and purchased)
Gallons billed to customers:	61,104,000	
Gallons sold:	20,382,000	To: <u>City of Arcola, Texas</u>
Gallons purchased:	212,000	From: <u>Fort Bend Municipal Utility District No. 23</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, 2017

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, 2017

PROFESSIONAL FEES:	
Auditing	\$ 14,900
Engineering	480,222
Legal	123,316
Delinquent Tax Attorney	33,438
TOTAL PROFESSIONAL FEES	<u>\$ 651,876</u>
PURCHASED WASTEWATER SERVICE	<u>\$ 49,421</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 13,648
Operations and Billing	67,038
Tax Collector	1,800
TOTAL CONTRACTED SERVICES	<u>\$ 82,486</u>
UTILITIES:	
Electricity	\$ 37,146
Telephone	1,648
TOTAL UTILITIES	<u>\$ 38,794</u>
REPAIRS AND MAINTENANCE	<u>\$ 154,017</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 12,000
Election Costs	12,735
Insurance	8,644
Office Supplies and Postage	11,201
Payroll Taxes	1,056
Other	3,841
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 49,477</u>
TOTAL CAPITAL OUTLAY	<u>\$ 419,098</u>
TAP CONNECTIONS	<u>\$ 69,499</u>
OTHER EXPENDITURES:	
Chemicals	\$ 2,245
Laboratory Fees	1,904
Permit Fees	1,445
CCN Costs	71,500
Inspection Fees	65,668
Water Authority Assessments	312,695
Regulatory Assessment	1,681
TOTAL OTHER EXPENDITURES	<u>\$ 457,138</u>
TOTAL EXPENDITURES	<u><u>\$ 1,971,806</u></u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
INVESTMENTS
DECEMBER 31, 2017

<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	\$ 307,739	\$
Certificate of Deposit	XXXX7147	0.10%	04/23/18	218,930	
TOTAL GENERAL FUND				<u>\$ 526,669</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0002	Varies	Daily	<u>\$ 3,371,106</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
Money Market Mutual Fund	XXXX0011	Varies	Monthly	<u>\$ 2,437,974</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u><u>\$ 6,335,749</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, 2017

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
JANUARY 1, 2017	\$ 1,260,923		\$ 1,330,806	
Adjustments to Beginning Balance	<u>(1,299)</u>	\$ 1,259,624	<u>(1,096)</u>	\$ 1,329,710
Original 2017 Tax Levy	\$ 1,613,883		\$ 1,613,883	
Adjustment to 2017 Tax Levy	<u>3,413</u>	<u>1,617,296</u>	<u>3,413</u>	<u>1,617,296</u>
TOTAL TO BE ACCOUNTED FOR		\$ 2,876,920		\$ 2,947,006
TAX COLLECTIONS:				
Prior Years	\$ 1,122,892		\$ 1,134,233	
Current Year	<u>284,187</u>	<u>1,407,079</u>	<u>284,187</u>	<u>1,418,420</u>
TAXES RECEIVABLE - DECEMBER 31, 2017		<u>\$ 1,469,841</u>		<u>\$ 1,528,586</u>
TAXES RECEIVABLE BY YEAR:				
2017		\$ 1,333,109		\$ 1,333,109
2016		57,284		57,284
2015		28,519		28,519
2014		15,333		15,333
2013		6,409		19,226
2012		5,354		16,063
2011		4,756		14,268
2010		3,544		10,632
2009		3,484		10,452
2008		3,240		9,721
2007		2,940		8,821
2006 and prior		<u>5,869</u>		<u>5,158</u>
TOTAL		<u>\$ 1,469,841</u>		<u>\$ 1,528,586</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, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PROPERTY VALUATIONS:	\$ <u>323,157,464</u>	\$ <u>278,352,373</u>	\$ <u>279,970,126</u>	\$ <u>271,516,169</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50
Maintenance	<u>0.50</u>	<u>0.50</u>	<u>0.50</u>	<u>0.50</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>\$ 3,234,592</u>	<u>\$ 2,783,688</u>	<u>\$ 2,800,200</u>	<u>\$ 2,715,522</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>17.57 %</u>	<u>95.88 %</u>	<u>97.96 %</u>	<u>98.87 %</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, 2017

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
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			
2029			
2030			
2031			
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2043			
2044			
2045			
	<u>\$ 3,895,000</u>	<u>\$ 609,785</u>	<u>\$ 4,504,785</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2017

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
2018	\$ 205,000	\$ 73,170	\$ 278,170
2019	215,000	64,335	279,335
2020	220,000	54,854	274,854
2021	230,000	45,042	275,042
2022	240,000	34,668	274,668
2023	255,000	23,845	278,845
2024	265,000	12,216	277,216
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
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2035			
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2039			
2040			
2041			
2042			
2043			
2044			
2045			
	<u>\$ 1,630,000</u>	<u>\$ 308,130</u>	<u>\$ 1,938,130</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2017

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
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			
	<u>\$ 4,540,000</u>	<u>\$ 2,631,452</u>	<u>\$ 7,171,452</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2017

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
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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2044			
2045			
	<u>\$ 390,000</u>	<u>\$ - 0 -</u>	<u>\$ 390,000</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2017

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
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>\$ 7,660,000</u>	<u>\$ 5,070,349</u>	<u>\$ 12,730,349</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2017

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
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			
	<u>\$ 4,380,000</u>	<u>\$ 1,615,106</u>	<u>\$ 5,995,106</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2017

S E R I E S - 2 0 1 7			
Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2018	\$ 30,000	\$ 203,724	\$ 233,724
2019	10,000	212,600	222,600
2020	10,000	212,400	222,400
2021	10,000	212,200	222,200
2022	10,000	211,900	221,900
2023	10,000	211,600	221,600
2024	10,000	211,300	221,300
2025	285,000	211,000	496,000
2026	300,000	199,600	499,600
2027	315,000	187,600	502,600
2028	325,000	175,000	500,000
2029	340,000	162,000	502,000
2030	350,000	148,400	498,400
2031	365,000	134,400	499,400
2032	380,000	119,800	499,800
2033	395,000	104,600	499,600
2034	410,000	88,800	498,800
2035	425,000	72,400	497,400
2036	445,000	55,400	500,400
2037	460,000	37,600	497,600
2038	480,000	19,200	499,200
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	<u>\$ 5,365,000</u>	<u>\$ 3,191,524</u>	<u>\$ 8,556,524</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2017

ANNUAL REQUIREMENTS FOR ALL SERIES			
Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2018	\$ 1,100,000	\$ 974,578	\$ 2,074,578
2019	1,110,000	956,923	2,066,923
2020	1,130,000	928,012	2,058,012
2021	1,155,000	897,426	2,052,426
2022	1,190,000	864,932	2,054,932
2023	1,235,000	830,474	2,065,474
2024	1,265,000	791,632	2,056,632
2025	1,305,000	750,882	2,055,882
2026	1,350,000	710,021	2,060,021
2027	1,400,000	666,739	2,066,739
2028	990,000	620,868	1,610,868
2029	1,025,000	585,526	1,610,526
2030	1,060,000	548,406	1,608,406
2031	1,075,000	509,490	1,584,490
2032	1,115,000	468,186	1,583,186
2033	1,150,000	425,075	1,575,075
2034	1,200,000	380,214	1,580,214
2035	1,245,000	332,530	1,577,530
2036	1,295,000	282,592	1,577,592
2037	1,345,000	230,362	1,575,362
2038	1,105,000	175,899	1,280,899
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
	\$ 27,860,000	\$ 13,426,346	\$ 41,286,346

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2017

Description	Original Bonds Issued	Bonds Outstanding January 1, 2017
Fort Bend County Fresh Water Supply District No. 1 Sanitary Sewer System Unlimited Tax Bonds - Series 2006A	\$ 6,935,000	\$ 4,230,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Bonds - Series 2006B	5,035,000	115,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Bonds - Series 2008	8,500,000	7,170,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Bonds - Series 2010	5,285,000	4,670,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Bonds - Series 2010A	600,000	420,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Bonds - Series 2015	8,000,000	7,845,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Refunding Bonds - Series 2016	4,430,000	4,430,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Refunding Bonds - Series 2017	<u>5,365,000</u>	<u> </u>
TOTAL	<u>\$ 44,150,000</u>	<u>\$ 28,880,000</u>
Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 118,310,000	\$ 173,965,000
Amount Issued	<u>34,355,000</u>	<u>360,000</u>
Remaining to be Issued	<u>\$ 83,955,000</u>	<u>\$ 173,605,000</u>

See accompanying independent auditor's report.

Current Year Transactions					
	Retirements		Bonds Outstanding December 31, 2017		
<u>Bonds Sold</u>	<u>Principal</u>	<u>Interest</u>		<u>Paying Agent</u>	
\$	\$ 335,000	\$ 112,720	\$ 3,895,000	Wells Fargo Bank N.A. Houston, TX	
	115,000	5,486	-0-	Wells Fargo Bank N.A. Houston, TX	
	5,540,000	340,037	1,630,000	Wells Fargo Bank N.A. Houston, TX	
	130,000	195,547	4,540,000	Wells Fargo Bank N.A. Houston, TX	
	30,000		390,000	Wells Fargo Bank N.A. Houston, TX	
	185,000	271,507	7,660,000	Amegy Bank N.A. Houston, TX	
	50,000	131,700	4,380,000	Amegy Bank N.A. Houston, TX	
<u>5,365,000</u>			<u>5,365,000</u>	Amegy Bank N.A. Houston, TX	
\$ 5,365,000	\$ 6,385,000	\$ 1,056,997	\$ 27,860,000		

Debt Service Fund cash and investment balances as of December 31, 2017: \$ 4,383,186

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,474,512

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		
	2017	2016	2015
REVENUES			
Property Taxes	\$ 1,376,887	\$ 1,379,822	\$ 1,343,540
Water Revenues	341,731	196,237	193,101
Wastewater Revenues	65,543		
Water Authority Fees	197,590	104,762	91,068
Shared Facilities Revenues	174,221	154,536	98,120
Tap Connection and Inspection Fees	156,164	24,410	34,047
Penalty and Interest	89,390	100,646	74,823
Miscellaneous Revenues	60,739	24,264	11,875
TOTAL REVENUES	<u>\$ 2,462,265</u>	<u>\$ 1,984,677</u>	<u>\$ 1,846,574</u>
EXPENDITURES			
Professional Fees	\$ 651,876	\$ 461,297	\$ 378,042
Contracted Services	82,486	65,680	54,583
Purchased Sewer	49,421	53,000	44,047
Utilities	38,794	33,389	31,570
Repairs and Maintenance	154,017	72,563	73,348
Water Authority Assessments	312,695	215,325	144,690
Other	263,419	58,412	60,350
Capital Outlay	419,098	629,163	
TOTAL EXPENDITURES	<u>\$ 1,971,806</u>	<u>\$ 1,588,829</u>	<u>\$ 786,630</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 490,459</u>	<u>\$ 395,848</u>	<u>\$ 1,059,944</u>
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	<u>\$ (1,161,427)</u>	<u>\$ 13,918</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ (670,968)	\$ 409,766	\$ 1,059,944
BEGINNING FUND BALANCE	<u>4,804,899</u>	<u>4,395,133</u>	<u>3,335,189</u>
ENDING FUND BALANCE	<u><u>\$ 4,133,931</u></u>	<u><u>\$ 4,804,899</u></u>	<u><u>\$ 4,395,133</u></u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2014	2013	2017	2016	2015	2014	2013
\$ 685,151	\$ 661,023	55.9 %	69.5 %	72.8 %	60.0 %	60.9 %
171,691	168,869	13.9	9.9	10.5	15.0	15.6
		2.7				
70,520	55,694	8.0	5.3	4.9	6.2	5.1
47,678	24,308	7.1	7.8	5.3	4.2	2.2
72,033	74,526	6.3	1.2	1.8	6.3	6.9
72,648	79,172	3.6	5.1	4.1	6.4	7.3
21,368	21,960	2.5	1.2	0.6	1.9	2.0
<u>\$ 1,141,089</u>	<u>\$ 1,085,552</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 258,628	\$ 267,682	26.5 %	23.2 %	20.5 %	22.7 %	24.7 %
43,407	71,393	3.4	3.3	3.0	3.8	6.6
46,032	54,824	2.0	2.7	2.4	4.0	5.1
28,694	27,550	1.6	1.7	1.7	2.5	2.5
87,767	73,212	6.3	3.7	4.0	7.7	6.7
97,596	69,687	12.7	10.8	7.8	8.6	6.4
88,545	98,370	10.7	2.9	3.3	7.8	9.1
	111,383	17.0	31.7			10.3
<u>\$ 650,669</u>	<u>\$ 774,101</u>	<u>80.2 %</u>	<u>80.0 %</u>	<u>42.7 %</u>	<u>57.1 %</u>	<u>71.4 %</u>
<u>\$ 490,420</u>	<u>\$ 311,451</u>	<u>19.8 %</u>	<u>20.0 %</u>	<u>57.3 %</u>	<u>42.9 %</u>	<u>28.6 %</u>
<u>\$ 49,778</u>	<u>\$ - 0 -</u>					
\$ 540,198	\$ 311,451					
<u>2,794,991</u>	<u>2,483,540</u>					
<u>\$ 3,335,189</u>	<u>\$ 2,794,991</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		
	2017	2016	2015
REVENUES			
Property Taxes	\$ 1,388,236	\$ 1,403,229	\$ 1,408,397
Penalty and Interest	46,152	57,202	57,338
Miscellaneous Revenues	24,376	10,214	6,130
TOTAL REVENUES	<u>\$ 1,458,764</u>	<u>\$ 1,470,645</u>	<u>\$ 1,471,865</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 27,392	\$ 22,292	\$ 34,806
Debt Service Principal	1,040,000	940,000	760,000
Debt Service Interest and Fees	1,061,311	1,077,818	926,616
Bond Issuance Costs	295,455	247,112	
TOTAL EXPENDITURES	<u>\$ 2,424,158</u>	<u>\$ 2,287,222</u>	<u>\$ 1,721,422</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (965,394)</u>	<u>\$ (816,577)</u>	<u>\$ (249,557)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ (19,198)	\$ (13,918)	\$
Proceeds From Issuance of Long-Term Debt	5,365,000	4,430,000	
Transfer to Refunded Bond Escrow Agent	(5,542,210)	(4,196,454)	
Bond Discount		(39,946)	
Bond Premium	486,205		
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 289,797</u>	<u>\$ 179,682</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ (675,597)	\$ (636,895)	\$ (249,557)
BEGINNING FUND BALANCE	<u>3,192,447</u>	<u>3,829,342</u>	<u>4,078,899</u>
ENDING FUND BALANCE	<u><u>\$ 2,516,850</u></u>	<u><u>\$ 3,192,447</u></u>	<u><u>\$ 3,829,342</u></u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,286</u>	<u>565</u>	<u>548</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>304</u>	<u>559</u>	<u>541</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2014	2013	2017	2016	2015	2014	2013
\$ 2,049,736	\$ 1,977,966	95.1 %	95.4 %	95.7 %	96.1 %	96.1 %
77,785	77,442	3.2	3.9	3.9	3.6	3.7
5,408	3,724	1.7	0.7	0.4	0.3	0.2
<u>\$ 2,132,929</u>	<u>\$ 2,059,132</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 24,399	\$ 611	1.9 %	1.5 %	2.4 %	1.1 %	%
745,000	715,000	71.3	63.9	51.6	34.9	34.7
947,673	965,391	72.7	73.3	63.0	44.4	46.9
		20.3	16.8			
<u>\$ 1,717,072</u>	<u>\$ 1,681,002</u>	<u>166.2 %</u>	<u>155.5 %</u>	<u>117.0 %</u>	<u>80.4 %</u>	<u>81.6 %</u>
\$ 415,857	\$ 378,130	(66.2) %	(55.5) %	(17.0) %	19.6 %	18.4 %
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 415,857	\$ 378,130					
<u>3,663,042</u>	<u>3,284,912</u>					
<u>\$ 4,078,899</u>	<u>\$ 3,663,042</u>					
<u>521</u>	<u>480</u>					
<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, 2017

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, 2017</u>	Expense Reimbursements for the year ended <u>December 31, 2017</u>	<u>Title</u>
Paul Hamilton	05/14 05/18 (Elected)	\$ 4,350	\$ 53	President
Greg Fleck	05/16 05/20 (Elected)	\$ 2,700	\$ 63	Vice President
Calvin Casher	05/16 05/20 (Elected)	\$ 2,550	\$ 45	Secretary
Rosa Linda Medina	05/16 05/20 (Elected)	\$ 3,000	\$ 512	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): June 12, 2017.

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, 2017

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2017</u>	<u>Title</u>
Sanford Kuhl Hagan Kugle Parker Kahn LLP	01/21/10	\$ 210,526 \$ 109,265	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	11/01/01	\$ 14,900 \$ 900	Auditor Bond Related
Phyllis M. Smith Herbst, CPA	10/25/00	\$ 14,745 \$ -0-	Bookkeeper/ Investment Officer
Jacobs Engineering Group, Inc.	01/15/09	\$ 613,225	Engineer
Robert W. Baird & Co. Inc.	02/19/15	\$ 55,402	Financial Advisor
Environmental Development Partners	07/01/12	\$ 589,314	Operator
Patricia Schultz	10/25/00	\$ 3,900	Tax Assessor/ Collector
Felipe Gonzalez Hernandez	06/30/16	\$ 1,800	Tax Assessor/ Collector

See accompanying independent auditor's report.

