

**KAUFMAN COUNTY FRESH WATER
SUPPLY DISTRICT NO. 1-C**

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2020

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McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

9600 Great Hills Trail
Suite 150W
Austin, Texas 78759
(512) 610-2209
www.mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kaufman County Fresh Water Supply District No. 1-C
Kaufman County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Kaufman County Fresh Water Supply District No. 1-C (the "District"), as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of March 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

July 22, 2020

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2020**

Management's discussion and analysis of Kaufman County Fresh Water Supply District No. 1-C's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended March 31, 2020. 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, 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 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.

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2020**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial 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, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$6,218,638 as of March 31, 2020.

A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage facilities and roads, less any debt used to acquire those assets that is still outstanding). The District uses a portion of these assets to provide water and wastewater services.

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	Summary of Changes in the Statement of Net Position		
	2020	2019	Change Positive (Negative)
Current and Other Assets	\$ 10,979,507	\$ 8,590,442	\$ 2,389,065
Capital Assets (Net of Accumulated Depreciation)	<u>25,307,734</u>	<u>22,425,632</u>	<u>2,882,102</u>
Total Assets	<u>\$ 36,287,241</u>	<u>\$ 31,016,074</u>	<u>\$ 5,271,167</u>
Deferred Outflows of Resources	<u>\$ 416,002</u>	<u>\$ 431,696</u>	<u>\$ (15,694)</u>
Due to Developer	\$ 5,199,728	\$ 5,310,594	\$ 110,866
Long -Term Liabilities	33,822,353	29,028,082	(4,794,271)
Other Liabilities	<u>1,782,482</u>	<u>1,239,627</u>	<u>(542,855)</u>
Total Liabilities	<u>\$ 40,804,563</u>	<u>\$ 35,578,303</u>	<u>\$ (5,226,260)</u>
Deferred Inflows of Resources	<u>\$ 2,117,318</u>	<u>\$ 1,898,931</u>	<u>\$ (218,387)</u>
Net Position:			
Net Investment in Capital Assets	\$ (11,071,356)	\$ (10,144,674)	\$ (926,682)
Restricted	2,018,047	1,869,280	148,767
Unrestricted	<u>2,834,671</u>	<u>2,245,930</u>	<u>588,741</u>
Total Net Position	<u>\$ (6,218,638)</u>	<u>\$ (6,029,464)</u>	<u>\$ (189,174)</u>

The following table provides a summary of the District's operations for the years ended March 31, 2020, and March 31, 2019. The District's net position decreased by \$189,174 accounting for a 3.1% decrease in net position.

	Summary of Changes in the Statement of Activities		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,571,708	\$ 2,484,679	\$ 87,029
Charges for Services	2,591,212	1,855,016	736,196
Other Revenues	<u>213,098</u>	<u>139,929</u>	<u>73,169</u>
Total Revenues	<u>\$ 5,376,018</u>	<u>\$ 4,479,624</u>	<u>\$ 896,394</u>
Expenses for Services	<u>5,565,192</u>	<u>5,338,311</u>	<u>(226,881)</u>
Change in Net Position	\$ (189,174)	\$ (858,687)	\$ 669,513
Net Position, Beginning of Year	<u>(6,029,464)</u>	<u>(5,170,777)</u>	<u>(858,687)</u>
Net Position, End of Year	<u>\$ (6,218,638)</u>	<u>\$ (6,029,464)</u>	<u>\$ (189,174)</u>

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2020, totaled \$8,272,757, an increase of \$2,099,109 from the prior year.

The General Fund fund balance increased by \$587,211, primarily due to service revenues and property tax revenues exceeding operating expenditures.

The Debt Service Fund fund balance increased by \$201,583, primarily due to the structure of the District's outstanding bonds.

The Capital Projects Fund fund balance increased by \$1,310,315, primarily due to the unused proceeds from the Series 2019 Road bond sale.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$222,500 more than budgeted revenues. Actual expenditures were \$11,693 less than budgeted expenditures.

CAPITAL ASSETS

The District's capital assets as of March 31, 2020, total \$25,307,734 (net of accumulated depreciation) and include the water, wastewater and drainage systems and roads.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Construction in Progress	\$ 306,552	\$ 306,552	\$
Capital Assets, Net of Accumulated Depreciation:			
Water System	5,545,058	5,640,925	(95,867)
Wastewater System	5,683,470	5,561,114	122,356
Drainage System	4,344,675	4,302,577	42,098
Roads	9,427,979	6,614,464	2,813,515
Total Net Capital Assets	\$ 25,307,734	\$ 22,425,632	\$ 2,882,102

Additional information on the District's capital assets can be found in Note 6 of this report.

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2020**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$34,435,000. The changes in the debt position of the District during the fiscal year ended March 31, 2020, are summarized as follows:

Bond Debt Payable, April 1, 2019	\$ 29,215,000
Add: Bond Sale - Series 2019 Road	5,925,000
Less: Bond Principal Paid	<u>705,000</u>
Bond Debt Payable, March 31, 2020	<u>\$ 34,435,000</u>

At fiscal year end, the District's outstanding bonds carried an underlying rating of "BBB" from Standard & Poor's. The District's Series 2016 Road Refunding, Series 2016 Refunding and Series 2019 Utility bonds carry an insured rating by Standard & Poor's of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal. The District's Series 2017 Utility and Series 2019 Road bonds carry an insured rating by Standard & Poor's of "AA" by virtue of bond insurance issued by Build America Mutual. The District's Series 2017 Road bonds do not carry an insured rating. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The above ratings are as of March 31, 2020 and reflect all rating changes of the bond insurers through the fiscal year end.

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 Kaufman County Fresh Water Supply District No. 1-C, c/o Crawford & Jordan LLP, 3100 McKinnon Street, Suite 1100, Dallas, Texas 75201.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2020

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 197,637	\$ 298,121
Investments	3,256,920	3,892,587
Receivables:		
Property Taxes	9,731	39,582
Service Accounts	173,721	
Accrued Interest	4,123	4,663
Other	10,000	
Due from Other Funds	28,148	
Prepaid Costs		22,439
Due from Other Governmental Units	177,287	
Advance for District No. 1-A Operations	20,000	
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 3,877,567	\$ 4,257,392
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ - 0 -	\$ - 0 -
TOTAL ASSETS AND DEFERRED		
OUTFLOWS OF RESOURCES	\$ 3,877,567	\$ 4,257,392

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 1,225	\$ 496,983	\$	\$ 496,983
2,871,471	10,020,978		10,020,978
	49,313		49,313
	173,721		173,721
	8,786		8,786
	10,000		10,000
	28,148	(28,148)	
	22,439		22,439
	177,287		177,287
	20,000		20,000
		306,552	306,552
		25,001,182	25,001,182
<u>\$ 2,872,696</u>	<u>\$ 11,007,655</u>	<u>\$ 25,279,586</u>	<u>\$ 36,287,241</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 416,002</u>	<u>\$ 416,002</u>
<u>\$ 2,872,696</u>	<u>\$ 11,007,655</u>	<u>\$ 25,695,588</u>	<u>\$ 36,703,243</u>

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2020

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 249,357	\$
Accrued Interest Payable		
Due to Other Governmental Units	108,761	
Due to Developers		
Due to Other Funds		28,148
Security Deposits	205,485	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	\$ 563,603	\$ 28,148
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 9,731	\$ 2,133,416
 FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 20,000	\$ 22,439
For District No. 1-A Operations		
Restricted for Authorized Construction		
Restricted for Debt Service		2,073,389
Unassigned	3,284,233	
TOTAL FUND BALANCES	\$ 3,304,233	\$ 2,095,828
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,877,567	\$ 4,257,392
 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.

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 249,357	\$	\$ 249,357
		93,879	93,879
	108,761		108,761
	28,148	5,199,728	5,199,728
	205,485	(28,148)	205,485
		1,125,000	1,125,000
		<u>33,822,353</u>	<u>33,822,353</u>
<u>\$ - 0 -</u>	<u>\$ 591,751</u>	<u>\$ 40,212,812</u>	<u>\$ 40,804,563</u>
<u>\$ - 0 -</u>	<u>\$ 2,143,147</u>	<u>\$ (25,829)</u>	<u>\$ 2,117,318</u>
\$	\$ 22,439	\$ (22,439)	\$
	20,000	(20,000)	
2,872,696	2,872,696	(2,872,696)	
	2,073,389	(2,073,389)	
	<u>3,284,233</u>	<u>(3,284,233)</u>	
<u>\$ 2,872,696</u>	<u>\$ 8,272,757</u>	<u>\$ (8,272,757)</u>	<u>\$ - 0 -</u>
<u>\$ 2,872,696</u>	<u>\$ 11,007,655</u>		
		\$ (11,071,356)	\$ (11,071,356)
		2,018,047	2,018,047
		<u>2,834,671</u>	<u>2,834,671</u>
		<u>\$ (6,218,638)</u>	<u>\$ (6,218,638)</u>

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2020

Total Fund Balances - Governmental Funds		\$ 8,272,757
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		25,307,734
<p>The difference between the net carrying amount of the refunded bonds and the reacquisition price 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.</p>		416,002
<p>Governmental funds do not record a long-term liability to the Developer for completed projects and operating advances. However, in the Statement of Net Position, the liability for completed projects and operating advances are recorded.</p>		(5,199,728)
<p>Deferred inflows of resources related to property tax revenues for the 2019 and prior maintenance tax levies and 2018 and prior debt service tax levies became part of recognized revenue in the governmental activities of the District.</p>		25,829
<p>Accrued interest on long-term liabilities is not payable with current financial resources and, therefore, is not reported in the governmental funds.</p>		(93,879)
<p>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:</p>		
Bonds Payable within one year	\$ (1,125,000)	
Bonds Payable after one year	<u>(33,822,353)</u>	<u>(34,947,353)</u>
Total Net Position - Governmental Activities		<u>\$ (6,218,638)</u>

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

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KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2020

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 672,440	\$ 1,897,280
Basic Service Charge	1,076,068	
Water Service	434,797	
Wastewater Service	240,708	
Penalty and Interest	87,167	4,721
Tap Connection and Inspection Fees	655,550	
Easement Revenue	92,201	
Investment Revenues	59,268	72,965
Miscellaneous Revenues	44,247	
TOTAL REVENUES	\$ 3,362,446	\$ 1,974,966
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 292,152	\$ 890
Contracted Services	743,636	28,269
Purchased Water and Wastewater Service	1,293,764	
Repairs and Maintenance	308,565	
Depreciation		
Other	137,118	
Developer Interest		
Capital Outlay		
Debt Service:		
Bond Issuance Costs		
Bond Principal		705,000
Bond Interest		1,039,224
TOTAL EXPENDITURES/EXPENSES	\$ 2,775,235	\$ 1,773,383
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 587,211	\$ 201,583
OTHER FINANCING SOURCES (USES)		
Long-Term Debt Issued	\$	\$
Bond Premium		
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ - 0 -
NET CHANGE IN FUND BALANCES	\$ 587,211	\$ 201,583
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2019	2,717,022	1,894,245
FUND BALANCES/NET POSITION - MARCH 31, 2020	\$ 3,304,233	\$ 2,095,828

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,569,720	\$ 1,988	\$ 2,571,708
	1,076,068		1,076,068
	434,797		434,797
	240,708		240,708
	91,888		91,888
	655,550		655,550
	92,201		92,201
36,618	168,851		168,851
	44,247		44,247
\$ 36,618	\$ 5,374,030	\$ 1,988	\$ 5,376,018
\$	\$ 293,042	\$	\$ 293,042
	771,905		771,905
	1,293,764		1,293,764
	308,565		308,565
		1,121,512	1,121,512
	137,118		137,118
197,888	197,888		197,888
4,114,479	4,114,479	(4,114,479)	
	366,971		366,971
	705,000	(705,000)	
	1,039,224	35,203	1,074,427
\$ 4,679,338	\$ 9,227,956	\$ (3,662,764)	\$ 5,565,192
\$ (4,642,720)	\$ (3,853,926)	\$ 3,664,752	\$ (189,174)
\$ 5,925,000	\$ 5,925,000	\$ (5,925,000)	\$
28,035	28,035	(28,035)	
\$ 5,953,035	\$ 5,953,035	\$ (5,953,035)	\$ - 0 -
\$ 1,310,315	\$ 2,099,109	\$ (2,099,109)	\$
		(189,174)	(189,174)
1,562,381	6,173,648	(12,203,112)	(6,029,464)
\$ 2,872,696	\$ 8,272,757	\$ (14,491,395)	\$ (6,218,638)

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2020

Net Change in Fund Balances - Governmental Funds	\$	2,099,109
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.		1,988
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.		(1,121,512)
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.		4,114,479
Governmental funds report bond premiums as other financing sources in the period received. However, in the Statement of Net Position, bond premiums are amortized over the life of the bonds and the current period amortized portion is recorded in the Statement of Activities		(28,035)
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.		705,000
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.		(35,203)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		<u>(5,925,000)</u>
Change in Net Position - Governmental Activities	\$	<u><u>(189,174)</u></u>

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 1. CREATION OF DISTRICT

On January 8, 2001, the Kaufman County Commissioners Court approved the order creating Kaufman County Fresh Water Supply District No. 1 (District No. 1), and voters of District No. 1 confirmed the creation at an election held on January 20, 2001. In another election held on May 5, 2001, the voters approved District No. 1's assumption of the rights, authority, privileges and functions of a road district and authorized District No. 1 to purchase, construct, acquire, own, operate, repair, improve and extend a sanitary sewer system. On May 10, 2001, following a hearing, the governing board of District No. 1 approved the conversion of the District to a water control and improvement district operating under Chapter 51 of the Texas Water Code and specifically reserved certain rights under Sections 53.029, 53.030 through 53.034, 53.040 through 53.041, 53.112, 53.121, and 53.125 of the Texas Water Code.

At an election held within the boundaries of District No. 1 on August 11, 2001, voters approved the division of District No. 1 into two new districts: Kaufman County Fresh Water Supply District No. 1-A (Original District No. 1-A) and Kaufman County Fresh Water Supply District No. 1-B (District No. 1-B). At an election held within the boundaries of Original District No. 1-A on September 14, 2002, voters approved the division of Original District No. 1-A into two new districts: resulting Kaufman County Fresh Water Supply District No. 1-A (Second District No. 1-A) and Kaufman County Fresh Water Supply District No. 1-C (the "District"). At an election held within the boundaries of Second District No. 1-A on May 12, 2007, voters approved the division of Second District No. 1-A into a third resulting Kaufman County Fresh Water Supply District No. 1-A (District No. 1-A) and Kaufman County Fresh Water Supply District No. 1-D (District No. 1-D). Pursuant to the provisions of Chapters 49, 51 and, for limited purposes, 53 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, roads, solid waste collection and disposal, including recycling, construction of parks and recreational facilities for the residents of the District. The District also has the power to acquire, construct, operate and maintain road facilities and is empowered to contract for or employ its own peace officers with powers to make arrests and, subject to certain regulatory and voter approvals, to contract for fire protection services or establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The District held its first meeting on September 23, 2002, and sold its first series of bonds on December 19, 2003.

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.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The District is a participant in the joint facilities under the oversight of Kaufman County Fresh Water Supply District No. 1-A. See Note 8.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification").

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- * 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.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 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.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in the governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the period and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures. Recognition of tax revenues for the 2019 debt service tax levy levied in the current fiscal year have been deferred to meet the debt service payments due in the next fiscal year.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

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. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$10,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll purposes only.

Measurement Focus

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

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:

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 3. LONG-TERM DEBT

	Refunding Series 2016 Road	
Amounts Outstanding – March 31, 2020		\$9,510,000
Interest Rates		3.00%-4.00%
Maturity Dates – Serially Beginning/Ending		September 1, 2020/2035
Interest Payment Dates		September 1/ March 1
Callable Dates		September 1, 2026*
	Refunding Series 2016	Series 2017 Road
Amounts Outstanding – March 31, 2020	\$2,020,000	\$1,615,000
Interest Rates	2.00%-3.875%	2.50%-4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2020/2034	September 1, 2020/2037
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2026*	September 1, 2026*

* The bonds are subject to redemption at the option of the District prior to their maturity in whole or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2016 Road Refunding term bonds maturing on September 1, 2032, and September 1, 2035, are subject to mandatory sinking fund redemption by lot or other customary method at a price equal to par plus accrued interest thereon to the redemption date. Series 2016 Refunding term bonds maturing on September 1, 2034, are subject to mandatory sinking fund redemption by lot or other customary method at a price equal to par plus accrued interest thereon to the redemption date. Series 2017 Road term bonds maturing on September 1, 2029, September 1, 2032, September 1, 2034, and September 1, 2037, are subject to mandatory sinking fund redemption by lot or other customary method at a price equal to par plus accrued interest thereon to the redemption date.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2017	Series 2019
Amounts Outstanding – March 31, 2020	\$7,055,000	\$8,310,000
Interest Rates	3.00%-3.75%	2.00%-3.75%
Maturity Dates – Serially Beginning/Ending	September 1, 2020/2039	September 1, 2020/2044
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2026*	September 1, 2026*
	Series 2019 Road	
Amounts Outstanding – March 31, 2020	\$5,925,000	
Interest Rates	2.00%-3.00%	
Maturity Dates – Serially Beginning/Ending	September 1, 2020/2044	
Interest Payment Dates	September 1/ March 1	
Callable Dates	September 1, 2029*	

* The bonds are subject to redemption at the option of the District prior to their maturity in whole or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2017 term bonds maturing on September 1, 2036, and September 1, 2039, are subject to mandatory sinking fund redemption by lot or other customary method at a price equal to par plus accrued interest thereon to the redemption date. Series 2019 Road term bonds maturing on September 1, 2039, September 1, 2041, and September 1, 2044, are subject to mandatory sinking fund redemption by lot or other customary method at a price equal to par plus accrued interest thereon to the redemption date.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding long-term liabilities payable for the year ended March 31, 2020:

	April 1, 2019	Additions	Retirements	March 31, 2020
Bonds Payable	\$ 29,215,000	\$ 5,925,000	\$ 705,000	\$ 34,435,000
Unamortized Discounts	(74,148)		(3,101)	(71,047)
Unamortized Premiums	592,230	28,035	36,865	583,400
Bonds Payable, Net	\$ 29,733,082	\$ 5,953,035	\$ 738,764	\$ 34,947,353
			Amount Due Within One Year	\$ 1,125,000
			Amount Due After One Year	33,822,353
			Bonds Payable, Net	\$ 34,947,353

As of March 31, 2020, the District had authorized but unissued bonds in the amount of \$4,770,000 for utility facilities, \$22,345,000 for refunding bonds, \$11,610,000 for road facilities and \$30,165,000 for refunding road bonds.

As of March 31, 2020, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 1,125,000	\$ 1,112,200	\$ 2,237,200
2022	1,165,000	1,082,125	2,247,125
2023	1,195,000	1,050,276	2,245,276
2024	1,225,000	1,016,400	2,241,400
2025	1,260,000	980,937	2,240,937
2026-2030	6,900,000	4,292,082	11,192,082
2031-2035	8,085,000	3,080,281	11,165,281
2036-2040	9,575,000	1,535,381	11,110,381
2041-2045	3,905,000	342,116	4,247,116
	\$ 34,435,000	\$ 14,491,798	\$ 48,926,798

The bonds of the District are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

During the year ended March 31, 2020, the District levied a combined ad valorem utility system debt service and road debt service tax rate of \$0.6826 per \$100 of assessed valuation, which resulted in a tax levy of \$2,117,317 on the adjusted taxable valuation of \$310,039,726 for the 2019 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.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 3. LONG-TERM DEBT (Continued)

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

- A. For the bond issues, 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.
- B. The Bond Orders states that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the state information depository. 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.

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 \$3,629,969 and the bank balance was \$3,769,914. At fiscal year end, the District was not exposed to custodial credit risk.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at March 31, 2020 as listed below:

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 197,637	\$ 1,356,825	\$ 1,554,462
DEBT SERVICE FUND	298,121	1,776,161	2,074,282
CAPITAL PROJECTS FUND	<u>1,225</u>	<u> </u>	<u>1,225</u>
TOTAL DEPOSITS	<u>\$ 496,983</u>	<u>\$ 3,132,986</u>	<u>\$ 3,629,969</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 Directors.

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

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

The District measures its investments in certificates of deposit at acquisition at cost.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of March 31, 2020, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
LOGIC	\$ 1,900,095	\$ 1,900,095	\$	\$	\$
Certificates of Deposit	1,356,825	1,356,825			
<u>DEBT SERVICE FUND</u>					
LOGIC	2,116,426	2,116,426			
Certificates of Deposit	1,776,161	1,776,161			
<u>CAPITAL PROJECTS FUND</u>					
LOGIC	2,871,471	2,871,471			
TOTAL INVESTMENTS	\$ 10,020,978	\$ 10,020,978	\$ - 0 -	\$ - 0 -	\$ - 0 -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2020, the District's investment in LOGIC was rated AAA by Standard and Poor's. The District also manages credit risk by typically investing in certificates of deposit with balances covered by pledged collateral or letters of credit.

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

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2020:

	April 1, 2019	Increases	Decreases	March 31, 2020
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 306,552	\$ - 0 -	\$ - 0 -	\$ 306,552
Capital Assets Subject to Depreciation				
Water System	\$ 8,064,371	\$ 127,700	\$	\$ 8,192,071
Wastewater System	6,952,123	300,347		7,252,470
Drainage System	5,411,155	177,144		5,588,299
Roads	11,503,603	3,398,423		14,902,026
Total Capital Assets Subject to Depreciation	\$ 31,931,252	\$ 4,003,614	\$ - 0 -	\$ 35,934,866
Less Accumulated Depreciation				
Water System	\$ 2,423,446	\$ 223,567	\$	\$ 2,647,013
Wastewater System	1,391,009	177,991		1,569,000
Drainage System	1,108,578	135,046		1,243,624
Roads	4,889,139	584,908		5,474,047
Total Accumulated Depreciation	\$ 9,812,172	\$ 1,121,512	\$ - 0 -	\$ 10,933,684
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 22,119,080	\$ 2,882,102	\$ - 0 -	\$ 25,001,182
Total Capital Assets, Net of Accumulated Depreciation	\$ 22,425,632	\$ 2,882,102	\$ - 0 -	\$ 25,307,734

NOTE 7. MAINTENANCE TAX

On May 3, 2003, voters of the District approved the levy and collection of a maintenance tax in an unlimited amount per \$100 of assessed valuation of taxable property within the District. The maintenance tax will be used for maintenance purposes to include funds for planning, maintaining, repairing and operating all necessary plants, properties, owned or contracted facilities and improvements of the District and for proper services, engineering and legal fees, and operational and administrative costs in accordance with Section 49.107 of the Texas Water Code. During the year ended March 31, 2020, the District levied an ad valorem maintenance tax rate of \$0.2174 per \$100 of assessed valuation, which resulted in a tax levy of \$674,340 on the adjusted taxable valuation of \$310,039,726 for the 2019 tax year.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 8. WATER AND WASTEWATER OPERATING AGREEMENT AND JOINT UTILITY AND WHOLESALE ALLOCATION AGREEMENT

On March 29, 2004, and as amended on July 7, 2004, and August 30, 2004, the District entered into a Water and Wastewater Agreement with District No. 1-A, District No. 1-B and Kaufman County Development District No. 1 (KCDD). Such agreement was by its terms effective June 1, 2004. KCDD had been operating a water treatment, production and distribution system and wastewater collection and treatment facility providing services to the area within the District, District No. 1-A and District No. 1-B. KCDD also had been collecting fees and charges for such services and paying the costs of operating the system. Under the terms of the Water and Wastewater Agreement, the operations of the system were transferred to District No. 1-A

As of August 1, 2008, and amended on October 28, 2010, the District entered into the Joint Utility and Wholesale Allocation Agreement (Joint Agreement) with District No. 1-A, District No. 1-B and District No. 1-D. This Joint Agreement sets forth the procedures under which District No. 1-A will bill the other districts for their respective shares of administration, maintenance, and operations costs relating to the water supply facilities and wastewater treatment plant operated by District No. 1-A. Each district will pay its share of fixed costs and variable costs based upon the procedures and allocation shares outlined in the agreement. The Joint Agreement also allocates among the districts the cost of wholesale water purchased by District No. 1-A from the City of Forney for distribution to District No. 1-B, the District, and District No. 1-D. The Joint Agreement provides that in the event of conflicting provisions relating to cost-sharing, the provisions contained in the Joint Agreement will prevail over those of any prior cost-sharing arrangement, agreement or understanding among these districts

During the current fiscal year, the District recorded \$1,293,764 for purchased water and wastewater service. The District has also recorded an advance to District No. 1-A for operations in the amount of \$20,000. The following summary audited financial data on the joint water and wastewater treatment facilities is presented for the year ended March 31, 2020.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 8. WATER AND WASTEWATER OPERATING AGREEMENT AND JOINT UTILITY AND WHOLESALE ALLOCATION AGREEMENT (Continued)

	Joint Utility Fund
Total Assets	\$ 629,712
Total Liabilities	629,712
Total Fund Balance	\$ -0-
Total Revenues	\$ 2,151,731
Total Expenditures	2,151,731
Net Change in Fund Balance	\$ -0-
Fund Balance – April 1, 2019	-0-
Fund Balance – March 31, 2020	\$ -0-

NOTE 9. UNREIMBURSED DEVELOPER COST

On September 23, 2002, the District entered into the Agreement for the Construction and Purchase of Facilities and Advances. On February 6, 2003, the First Amendment to Agreement for Construction and Purchase of Facilities and Advances was approved. On May 24, 2006, effective September 14, 2005, the Second Amended and Restated Agreement for the Construction and Purchase of Facilities and Advances was approved. On June 6, 2007, the Supplemental Agreement “C” to the Second Amended and Restated Agreement was approved. These agreements call for the Developer to fund costs associated with water, sanitary sewer, drainage and road facilities, as well as, operating advances and litigation expenses until such time as the District can sell bonds. The agreements note that the original Developer has sold the project to a new Developer and has assigned its reimbursables to another entity. The agreements also outline the order of payment to be made to the various assignees and the new Developer. Effective February 26, 2009, a subsequent developer entered into an Operating Costs and Facilities Reimbursement Agreement with the District relating to development of all undeveloped land within the District and reimbursement of operating advances and the costs of water, wastewater, drainage and road facilities. Effective February 26, 2015, an affiliate of this subsequent developer entered into a Facilities Reimbursement Agreement with the District relating to development of an approximately 65-acre annexation tract and reimbursement of the costs of water, wastewater, drainage and road facilities to serve this tract. As of March 31, 2020, the District has recorded a Due to Developer in the amount of \$4,720,435 in the Statement of Net Position. This amount has been recorded to reflect amounts determined to be reimbursable for projects which sufficient documentation has been provided to justify costs. Any reimbursement is contingent upon a future bond sale, including receiving approval from the Commission and Texas State Attorney General, or the availability of future revenues from other sources.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 9. UNREIMBURSED DEVELOPER COST (Continued)

In addition, the Developer has advanced funds to the District to cover operating costs of the District. To date, the Developer has advanced \$479,293. This liability has been recorded in the Statement of Net Position.

NOTE 10. RISK MANAGEMENT

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

NOTE 11. INTERFUND PAYABLES AND RECEIVABLES

As of March 31, 2020, the Debt Service Fund recorded a payable to the General Fund in the amount of \$28,148 for the over-transfer of maintenance tax collections.

NOTE 12. COST-SHARING AGREEMENT

On December 20, 2012, the District and District No. 1-A entered into a cost sharing agreement relating to the construction and maintenance of a shared 18-inch sanitary sewer collection line (the "Shared Sewer Line"). In this agreement, the districts agreed to fund their respective pro-rata shares of the construction costs of the shared sanitary sewer collection line. The District will maintain physical ownership of the line and District 1-A will have a beneficial ownership interest. Both districts agree to pay for the cost of operating, maintaining and repairing the collection line based on their respective pro-rata shares. During a prior fiscal year, District No. 1-A transferred \$52,441 to the District for District No. 1-A's pro-rata share of the construction costs. This project was completed during a prior fiscal year.

During a prior fiscal year, the District consented to an assignment of all of District No. 1-A's rights and obligations under this cost-sharing agreement to Kaufman County Fresh Water Supply District No. 1-D.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 13. AGREEMENTS FOR PATROL SERVICES AND TRAFFIC ENFORCEMENT

On September 26, 2018, the District entered into an interlocal Agreement for Law Enforcement Patrol Services (the “Patrol Agreement”) with Kaufman County (the “County”). Effective October 1, 2019, the Patrol Agreement was renewed by addendum. Under the Patrol Agreement, the County agrees that the Kaufman County Precinct No. 2 Constable’s Office will provide law-enforcement patrol coverage for 168 hours per week (24 hours per day, seven days a week) within a designated are of the Windmill Farms development, which area includes the District. This agreement, as addended, terminates September 30, 2020, with provision for automatic annual renewals.

On November 27, 2018, the District entered in a letter agreement with Kaufman County Fresh Water Supply District No. 1-B (“District No. 1-B”) under which District No. 1-B agrees to pay a portion of the costs under the Patrol Agreement in order to have District No. 1-B included in the service area under the Patrol Agreement.

During the prior fiscal year, on January 17, 2018, the Windmill Farms Homeowners Association, Inc. (the “HOA”), entered into a letter agreement with the District and District No. 1-B under which the HOA agreed to fund the cost of 20 additional hours of weekly patrol under the patrol arrangement with the County effective at such time.

NOTE 14. BOND SALE

On August 29, 2019, the District closed on the sale of its \$5,925,000 Series 2019 Unlimited Tax Road Bonds. The proceeds of the bonds were used to reimburse the Developer for the construction of certain road facilities and related improvements, including engineering costs related to all such facilities, to serve Windmill Farms, Phases 3B and 5A, as well as to finance the Reeder Road Extension project and Iron Gate Boulevard improvements. The District also used the proceeds of the bonds to pay for costs related to the issuance of the bonds.

NOTE 15. USE OF SURPLUS FUNDS

On September 16, 2019, the Commission approved the use of surplus Capital Project Fund monies from the proceeds of prior utility bonds in the amount of \$143,910 to reimburse the developer for certain remaining costs of construction of water, wastewater and drainage facilities (including engineering costs) to serve Windmill Farms, Phase 3B.

NOTE 16. UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which could have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

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KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2020

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 533,857	\$ 672,440	\$ 138,583
Basic Service Charge	1,029,118	1,076,068	46,950
Water Service	519,586	434,797	(84,789)
Wastewater Service	242,955	240,708	(2,247)
Penalty and Interest	88,470	87,167	(1,303)
Tap Connection and Inspection Fees	577,500	655,550	78,050
Easement Revenue	80,300	92,201	11,901
Investment Revenues	29,880	59,268	29,388
Miscellaneous Revenues	<u>38,280</u>	<u>44,247</u>	<u>5,967</u>
TOTAL REVENUES	<u>\$ 3,139,946</u>	<u>\$ 3,362,446</u>	<u>\$ 222,500</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 270,800	\$ 292,152	\$ (21,352)
Contracted Services	675,961	743,636	(67,675)
Purchased Water and Wastewater Service	1,367,816	1,293,764	74,052
Repairs and Maintenance	143,460	308,565	(165,105)
Other	122,891	137,118	(14,227)
Capital Outlay	<u>206,000</u>	<u>206,000</u>	<u>206,000</u>
TOTAL EXPENDITURES	<u>\$ 2,786,928</u>	<u>\$ 2,775,235</u>	<u>\$ 11,693</u>
NET CHANGE IN FUND BALANCE	\$ 353,018	\$ 587,211	\$ 234,193
FUND BALANCE - APRIL 1, 2019	<u>2,717,022</u>	<u>2,717,022</u>	<u> </u>
FUND BALANCE - MARCH 31, 2020	<u>\$ 3,070,040</u>	<u>\$ 3,304,233</u>	<u>\$ 234,193</u>

See accompanying independent auditor's report.

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KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
MARCH 31, 2020

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2020**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective January 29, 2020.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:			N	\$ 2.50 \$ 3.50 \$ 4.50	0001 to 5,000 5,001 to 10,000 10,001 and up
WASTEWATER:			N	\$ 2.50 \$ 3.50 \$ 4.50	0001 to 5,000 5,001 to 10,000 10,001 and up
SERVICE CHARGE:	\$ 56.25		Y		
SURCHARGE:					
Commission	0.5% of actual water and				
Regulatory Assessments	sewer bill				

District employs winter averaging for wastewater usage? X
Yes
No

Total monthly charges per 10,000 gallons usage: Water: \$30.00 Wastewater: \$30.00 Service Charge \$56.25
Surcharge: \$0.58 Total: \$116.83

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2020

PROFESSIONAL FEES:	
Auditing	\$ 17,550
Engineering	173,201
Legal	<u>101,401</u>
TOTAL PROFESSIONAL FEES	<u>\$ 292,152</u>
PURCHASED SERVICES FOR RESALE:	
Water and Wastewater Service	<u>\$ 1,293,764</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 43,398
Operations and Billing	127,709
Solid Waste Disposal	260,029
Security	<u>312,500</u>
TOTAL CONTRACTED SERVICES	<u>\$ 743,636</u>
REPAIRS AND MAINTENANCE	<u>\$ 308,565</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 11,700
Insurance	4,292
Legal Notices	743
Office Supplies and Postage	272
Payroll Taxes	895
Travel and Meetings	1,076
Other	<u>14,838</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 33,816</u>
TAP CONNECTIONS	<u>\$ 94,800</u>
OTHER EXPENDITURES:	
Regulatory Assessment	<u>\$ 8,502</u>
TOTAL EXPENDITURES	<u><u>\$ 2,775,235</u></u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
INVESTMENTS
MARCH 31, 2020

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
LOGIC	XXXX8001	Varies	Daily	\$ 1,900,095	\$
Certificate of Deposit	XXXX1856	1.74%	04/03/20	250,000	334
Certificate of Deposit	XXXX8540	2.25%	04/02/20	606,825	3,329
Certificate of Deposit	XXXX8192	1.60%	04/10/20	500,000	460
TOTAL GENERAL FUND				<u>\$ 3,256,920</u>	<u>\$ 4,123</u>
<u>DEBT SERVICE FUND</u>					
LOGIC	XXXX8002	Varies	Daily	\$ 2,116,426	\$
Certificate of Deposit	XXXX0326	1.80%	04/04/20	240,000	1,029
Certificate of Deposit	XXXX0823	1.85%	04/23/20	180,452	73
Certificate of Deposit	XXXX8333	2.40%	04/04/20	610,915	3,495
Certificate of Deposit	XXXX0708	1.61%	04/30/20	744,794	66
TOTAL DEBT SERVICE FUND				<u>\$ 3,892,587</u>	<u>\$ 4,663</u>
<u>CAPITAL PROJECTS FUND</u>					
LOGIC	XXXX8002	Varies	Daily	\$ 2,871,471	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 10,020,978</u>	<u>\$ 8,786</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2020

	Maintenance Taxes	Debt Service Taxes		Road Taxes
TAXES RECEIVABLE -				
APRIL 1, 2019	\$ 8,201	\$ 22,197		\$ 13,812
Adjustments to Beginning Balance	<u>(370)</u>	<u>(564)</u>	\$ 21,633	<u>(628)</u> \$ 13,184
Original 2019 Tax Levy	\$ 646,601	\$ 1,072,514		\$ 957,708
Adjustment to 2019 Tax Levy	<u>27,739</u>	<u>46,010</u>	<u>1,118,524</u>	<u>41,085</u> <u>998,793</u>
TOTAL TO BE ACCOUNTED FOR	\$ 682,171		\$ 1,140,157	\$ 1,011,977
TAX COLLECTIONS:				
Prior Years	\$ 5,579	\$ 9,467		\$ 9,252
Current Year	<u>666,861</u>	<u>672,440</u>	<u>1,106,118</u> <u>1,115,585</u>	<u>987,715</u> <u>996,967</u>
TAXES RECEIVABLE - MARCH 31, 2020	<u>\$ 9,731</u>		<u>\$ 24,572</u>	<u>\$ 15,010</u>
TAXES RECEIVABLE BY YEAR:				
2019	\$ 7,479		\$ 12,406	\$ 11,078
2018	746		1,111	1,236
2017	451		1,045	1,175
2016	390		386	1,521
2015	400		1,958	
2014	116		1,760	
2013			1,881	
2012 and Prior	<u>149</u>		<u>4,025</u>	
TOTAL	<u>\$ 9,731</u>		<u>\$ 24,572</u>	<u>\$ 15,010</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2020

	2019	2018	2017	2016
PROPERTY VALUATIONS:				
Land	\$ 80,461,384	\$ 42,992,420	\$ 38,111,590	\$ 37,680,170
Improvements	259,786,289	259,565,957	233,446,248	177,444,810
Personal Property	476,030	326,480	162,700	253,940
Exemptions	(30,683,977)	(24,859,035)	(28,257,619)	(26,881,528)
TOTAL PROPERTY VALUATIONS	\$ 310,039,726	\$ 278,025,822	\$ 243,462,919	\$ 188,497,392
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.3606	\$ 0.3233	\$ 0.3637	\$ 0.1613
Road	0.3220	0.3597	0.4091	0.6359
Maintenance	0.2174	0.2170	0.1572	0.1628
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.9000	\$ 0.9000	\$ 0.9300	\$ 0.9600
ADJUSTED TAX LEVY*	\$ 2,791,657	\$ 2,502,251	\$ 2,264,371	\$ 1,809,724
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	98.89 %	99.88 %	99.88 %	99.87 %

* 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 at an unlimited rate per \$100 of assessed valuation approved by voters on May 3, 2003.

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020

SERIES - 2016 ROAD REFUNDING

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 390,000	\$ 327,300	\$ 717,300
2022	410,000	315,300	725,300
2023	430,000	302,700	732,700
2024	455,000	289,425	744,425
2025	480,000	275,400	755,400
2026	505,000	260,625	765,625
2027	530,000	242,450	772,450
2028	560,000	220,650	780,650
2029	590,000	197,650	787,650
2030	625,000	173,350	798,350
2031	655,000	151,025	806,025
2032	685,000	130,925	815,925
2033	715,000	109,925	824,925
2034	745,000	84,300	829,300
2035	785,000	53,700	838,700
2036	950,000	19,000	969,000
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	<u>\$ 9,510,000</u>	<u>\$ 3,153,725</u>	<u>\$ 12,663,725</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020

S E R I E S - 2 0 1 6 R E F U N D I N G

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 170,000	\$ 62,688	\$ 232,688
2022	165,000	58,513	223,513
2023	160,000	53,637	213,637
2024	155,000	48,913	203,913
2025	150,000	44,337	194,337
2026	145,000	39,912	184,912
2027	140,000	35,638	175,638
2028	135,000	31,344	166,344
2029	130,000	26,956	156,956
2030	125,000	22,575	147,575
2031	120,000	18,287	138,287
2032	115,000	14,027	129,027
2033	110,000	9,813	119,813
2034	105,000	5,716	110,716
2035	95,000	1,842	96,842
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	<u>\$ 2,020,000</u>	<u>\$ 474,198</u>	<u>\$ 2,494,198</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020

SERIES - 2017 ROAD

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 65,000	\$ 54,763	\$ 119,763
2022	70,000	52,062	122,062
2023	70,000	49,263	119,263
2024	75,000	46,362	121,362
2025	75,000	43,925	118,925
2026	75,000	41,956	116,956
2027	80,000	39,725	119,725
2028	85,000	37,196	122,196
2029	85,000	34,541	119,541
2030	90,000	31,806	121,806
2031	95,000	28,738	123,738
2032	100,000	25,325	125,325
2033	100,000	21,825	121,825
2034	105,000	18,237	123,237
2035	115,000	14,388	129,388
2036	85,000	10,781	95,781
2037	120,000	6,938	126,938
2038	125,000	2,344	127,344
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	<u>\$ 1,615,000</u>	<u>\$ 560,175</u>	<u>\$ 2,175,175</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020

S E R I E S - 2 0 1 7			
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 100,000	\$ 249,518	\$ 349,518
2022	100,000	246,519	346,519
2023	105,000	243,445	348,445
2024	105,000	240,294	345,294
2025	110,000	237,069	347,069
2026	115,000	233,693	348,693
2027	115,000	230,243	345,243
2028	115,000	226,795	341,795
2029	125,000	223,194	348,194
2030	125,000	219,365	344,365
2031	135,000	215,219	350,219
2032	135,000	210,831	345,831
2033	145,000	206,190	351,190
2034	150,000	201,025	351,025
2035	155,000	195,497	350,497
2036	160,000	189,787	349,787
2037	1,120,000	166,588	1,286,588
2038	1,170,000	125,081	1,295,081
2039	1,355,000	78,468	1,433,468
2040	1,415,000	26,531	1,441,531
2041			
2042			
2043			
2044			
2045			
	\$ 7,055,000	\$ 3,965,352	\$ 11,020,352

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020

S E R I E S - 2 0 1 9

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2021	\$ 215,000	\$ 262,356	\$ 477,356
2022	220,000	258,006	478,006
2023	230,000	253,506	483,506
2024	235,000	247,681	482,681
2025	245,000	240,481	485,481
2026	250,000	233,056	483,056
2027	255,000	225,481	480,481
2028	265,000	217,681	482,681
2029	275,000	209,581	484,581
2030	285,000	201,181	486,181
2031	290,000	192,556	482,556
2032	305,000	183,631	488,631
2033	315,000	174,331	489,331
2034	325,000	164,528	489,528
2035	340,000	153,925	493,925
2036	355,000	142,631	497,631
2037	370,000	130,850	500,850
2038	375,000	118,744	493,744
2039	380,000	106,238	486,238
2040	380,000	93,175	473,175
2041	440,000	78,826	518,826
2042	460,000	63,077	523,077
2043	480,000	46,326	526,326
2044	500,000	28,562	528,562
2045	520,000	9,750	529,750
	<u>\$ 8,310,000</u>	<u>\$ 4,036,160</u>	<u>\$ 12,346,160</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020

SERIES - 2019 ROAD

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2021	\$ 185,000	\$ 155,575	\$ 340,575
2022	200,000	151,725	351,725
2023	200,000	147,725	347,725
2024	200,000	143,725	343,725
2025	200,000	139,725	339,725
2026	205,000	135,675	340,675
2027	215,000	131,475	346,475
2028	215,000	127,175	342,175
2029	220,000	122,825	342,825
2030	220,000	118,288	338,288
2031	225,000	112,575	337,575
2032	225,000	105,825	330,825
2033	230,000	99,000	329,000
2034	235,000	92,025	327,025
2035	230,000	85,050	315,050
2036	235,000	78,075	313,075
2037	240,000	70,950	310,950
2038	240,000	63,750	303,750
2039	245,000	56,475	301,475
2040	255,000	48,975	303,975
2041	285,000	40,875	325,875
2042	290,000	32,250	322,250
2043	300,000	23,400	323,400
2044	310,000	14,250	324,250
2045	320,000	4,800	324,800
	<u>\$ 5,925,000</u>	<u>\$ 2,302,188</u>	<u>\$ 8,227,188</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 1,125,000	\$ 1,112,200	\$ 2,237,200
2022	1,165,000	1,082,125	2,247,125
2023	1,195,000	1,050,276	2,245,276
2024	1,225,000	1,016,400	2,241,400
2025	1,260,000	980,937	2,240,937
2026	1,295,000	944,917	2,239,917
2027	1,335,000	905,012	2,240,012
2028	1,375,000	860,841	2,235,841
2029	1,425,000	814,747	2,239,747
2030	1,470,000	766,565	2,236,565
2031	1,520,000	718,400	2,238,400
2032	1,565,000	670,564	2,235,564
2033	1,615,000	621,084	2,236,084
2034	1,665,000	565,831	2,230,831
2035	1,720,000	504,402	2,224,402
2036	1,785,000	440,274	2,225,274
2037	1,850,000	375,326	2,225,326
2038	1,910,000	309,919	2,219,919
2039	1,980,000	241,181	2,221,181
2040	2,050,000	168,681	2,218,681
2041	725,000	119,701	844,701
2042	750,000	95,327	845,327
2043	780,000	69,726	849,726
2044	810,000	42,812	852,812
2045	840,000	14,550	854,550
	<u>\$ 34,435,000</u>	<u>\$ 14,491,798</u>	<u>\$ 48,926,798</u>

See accompanying independent auditor's report.

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**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2020**

Description	Original Bonds Issued	Bonds Outstanding April 1, 2019
Kaufman County Fresh Water Supply District No. 1-C Unlimited Tax Road Refunding Bonds - Series 2016	\$ 10,275,000	\$ 9,880,000
Kaufman County Fresh Water Supply District No. 1-C Unlimited Tax Utility System Refunding Bonds - Series 2016	2,335,000	2,195,000
Kaufman County Fresh Water Supply District No. 1-C Unlimited Tax Road Bonds - Series 2017	1,715,000	1,680,000
Kaufman County Fresh Water Supply District No. 1-C Unlimited Tax Bonds - Series 2017	7,160,000	7,150,000
Kaufman County Fresh Water Supply District No. 1-C Unlimited Tax Bonds - Series 2019	8,310,000	8,310,000
Kaufman County Fresh Water Supply District No. 1-C Unlimited Tax Road Bonds - Series 2019	<u>5,925,000</u>	
TOTAL	<u><u>\$ 35,720,000</u></u>	<u><u>\$ 29,215,000</u></u>

Bond Authority:	Utility Tax Bonds*	Utility Refunding Bonds	Road Bonds*
Amount Authorized by Voters	\$ 23,435,000	\$ 22,655,000	\$ 19,250,000
Amount Issued	<u>18,665,000</u>	<u>310,000</u>	<u>7,640,000</u>
Remaining to be Issued	<u><u>\$ 4,770,000</u></u>	<u><u>\$ 22,345,000</u></u>	<u><u>\$ 11,610,000</u></u>

Debt Service Fund cash, investments and cash with paying agent balances as of
March 31, 2020: \$ 4,190,708

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 1,957,072

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

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding March 31, 2020</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 370,000	\$ 338,700	\$ 9,510,000	BOKF, NA Dallas, TX
	175,000	66,138	2,020,000	BOKF, NA Dallas, TX
	65,000	57,687	1,615,000	BOKF, NA Dallas, TX
	95,000	252,445	7,055,000	BOKF, NA Dallas, TX
		244,668	8,310,000	BOKF, NA Dallas, TX
<u>5,925,000</u>		<u>79,586</u>	<u>5,925,000</u>	BOKF, NA Dallas, TX
<u>\$ 5,925,000</u>	<u>\$ 705,000</u>	<u>\$ 1,039,224</u>	<u>\$ 34,435,000</u>	
 <u>Road Refunding Bonds</u>				
\$ 30,165,000				
<u>\$ 30,165,000</u>				

See accompanying independent auditor's report.

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

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 672,440	\$ 599,119	\$ 384,092
Basic Service Charges	1,076,068	991,889	930,326
Water Service	434,797	446,187	419,823
Wastewater Service	240,708	222,323	221,827
Penalty and Interest	87,167	86,936	79,807
Tap Connection and Inspection Fees	655,550	18,750	480,000
Easement Revenues	92,201	83,492	75,246
Investment Revenues	59,268	43,397	15,124
Miscellaneous Revenues	44,247	50,916	40,402
TOTAL REVENUES	\$ 3,362,446	\$ 2,543,009	\$ 2,646,647
EXPENDITURES			
Professional Fees	\$ 292,152	\$ 293,383	\$ 228,874
Contracted Services	743,636	546,302	376,365
Purchased Water and Wastewater Service	1,293,764	986,300	903,306
Repairs and Maintenance	308,565	693,657	99,865
Other	137,118	41,561	108,764
Capital Outlay		219,286	330,297
TOTAL EXPENDITURES	\$ 2,775,235	\$ 2,780,489	\$ 2,047,471
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 587,211	\$ (237,480)	\$ 599,176
OTHER FINANCING SOURCES (USES)			
Developer Advances	\$	\$	\$ 153,223
Transfer In			18,545
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ - 0 -	\$ 171,768
NET CHANGE IN FUND BALANCE	\$ 587,211	\$ (237,480)	\$ 770,944
BEGINNING FUND BALANCE	2,717,022	2,954,502	2,183,558
ENDING FUND BALANCE	\$ 3,304,233	\$ 2,717,022	\$ 2,954,502

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2017	2016	2020	2019	2018	2017	2016
\$ 306,567	\$ 236,921	19.9 %	23.6 %	14.5 %	12.4 %	9.8 %
884,192	756,881	32.1	39.1	35.2	35.8	31.4
360,288	346,264	12.9	17.5	15.9	14.6	14.4
233,718	197,547	7.2	8.7	8.4	9.5	8.2
78,273	76,428	2.6	3.4	3.0	3.2	3.2
476,750	701,750	19.5	0.7	18.1	19.3	29.1
72,135	50,727	2.7	3.3	2.8	2.9	2.1
10,708	3,661	1.8	1.7	0.6	0.4	0.2
47,351	38,759	1.3	2.0	1.5	1.9	1.6
<u>\$ 2,469,982</u>	<u>\$ 2,408,938</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 226,054	\$ 236,829	8.7 %	11.5 %	8.6 %	9.2 %	9.8 %
355,660	318,629	22.1	21.5	14.2	14.4	13.2
862,363	959,510	38.5	38.8	34.1	34.9	39.8
88,521	420,814	9.2	27.3	3.8	3.6	17.5
120,119	143,163	4.1	1.6	4.1	4.9	5.9
249,310			8.6	12.5	10.1	
<u>\$ 1,902,027</u>	<u>\$ 2,078,945</u>	<u>82.6 %</u>	<u>109.3 %</u>	<u>77.3 %</u>	<u>77.1 %</u>	<u>86.2 %</u>
<u>\$ 567,955</u>	<u>\$ 329,993</u>	<u>17.4 %</u>	<u>(9.3) %</u>	<u>22.7 %</u>	<u>22.9 %</u>	<u>13.8 %</u>
\$ 91,816	\$					
<u>\$ 91,816</u>	<u>\$ - 0 -</u>					
\$ 659,771	\$ 329,993					
<u>1,523,787</u>	<u>1,193,794</u>					
<u>\$ 2,183,558</u>	<u>\$ 1,523,787</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 1,897,280	\$ 1,879,617	\$ 1,503,121
Penalty and Interest	4,721	5,439	8,514
Investment Revenues	<u>72,965</u>	<u>44,455</u>	<u>25,394</u>
TOTAL REVENUES	<u>\$ 1,974,966</u>	<u>\$ 1,929,511</u>	<u>\$ 1,537,029</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 28,459	\$ 26,344	\$ 21,443
Debt Service Principal	705,000	575,000	515,000
Debt Service Interest and Fees	1,039,924	737,479	723,219
Bond Issuance Costs			
Transfer to Refunding Bond Escrow Agent			
TOTAL EXPENDITURES	<u>\$ 1,773,383</u>	<u>\$ 1,338,823</u>	<u>\$ 1,259,662</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 201,583</u>	<u>\$ 590,688</u>	<u>\$ 277,367</u>
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$	\$	\$
Transfer to Refunding Bond Escrow Agent			
Bond Discount			
Bond Premium			
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 201,583	\$ 590,688	\$ 277,367
BEGINNING FUND BALANCE	<u>1,894,245</u>	<u>1,303,557</u>	<u>1,026,190</u>
ENDING FUND BALANCE	<u>\$ 2,095,828</u>	<u>\$ 1,894,245</u>	<u>\$ 1,303,557</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,661</u>	<u>1,486</u>	<u>1,423</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,638</u>	<u>1,463</u>	<u>1,401</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2017	2016	2020	2019	2018	2017	2016
\$ 1,174,958	\$ 1,142,400	96.1 %	97.4 %	97.7 %	98.6 %	98.9 %
7,478	7,628	0.2	0.3	0.6	0.6	0.7
9,318	4,432	3.7	2.3	1.7	0.8	0.4
<u>\$ 1,191,754</u>	<u>\$ 1,154,460</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 18,045	\$ 21,253	1.4 %	1.4 %	1.4 %	1.5 %	1.8 %
355,000	330,000	35.7	29.8	33.5	29.8	28.6
636,229	734,496	52.7	38.2	47.1	53.4	63.6
550,511					46.2	
259,466					21.8	
<u>\$ 1,819,251</u>	<u>\$ 1,085,749</u>	<u>89.8 %</u>	<u>69.4 %</u>	<u>82.0 %</u>	<u>152.7 %</u>	<u>94.0 %</u>
\$ (627,497)	\$ 68,711	10.2 %	30.6 %	18.0 %	(52.7) %	6.0 %
\$ 12,610,000	\$					
(12,735,766)						
(10,606)						
686,006						
<u>\$ 549,634</u>	<u>\$ - 0 -</u>					
\$ (77,863)	\$ 68,711					
1,104,053	1,035,342					
<u>\$ 1,026,190</u>	<u>\$ 1,104,053</u>					
<u>1,325</u>	<u>1,189</u>					
<u>1,307</u>	<u>1,171</u>					

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2020

District Mailing Address - Kaufman County Fresh Water Supply District No. 1-C
3100 McKinnon Street, Suite 1100
Dallas, TX 75201

District Telephone Number - (214) 981-9090

Board Members	Term of Office (Elected or <u>Appointed</u>)	Fees of office for the year ended <u>March 31, 2020</u>	Expense reimbursements for the year ended <u>March 31, 2020</u>	<u>Title</u>
Jason Kaup	05/16 05/20 (Elected)	\$ 4,350	\$ 1,881	President
Matthew Scharmen	05/16 05/20 (Elected)	\$ 3,150	\$ 1,436	Vice President
Daryl Coleman	12/17 05/20 (Appointed)	\$ 2,400	\$ 156	Secretary
Ryan Roberts	09/19 05/22 (Appointed)	\$ 1,200	\$ 35	Assistant Secretary
Josh VanHoozer	05/18 05/22 (Elected)	\$ -0-	\$ -0-	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form: May 30, 2019

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on July 26, 2012. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2020

Consultants:	<u>Date Hired</u>	<u>Fees for the fiscal year ended March 31, 2020</u>	<u>Title</u>
Crawford & Jordan LLP	01/24/08	\$ 101,401	General Counsel
Winstead PC		\$ 153,125	Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	03/29/04	\$ 17,550 \$ 19,000	Auditor Bond Related
Dye & Toverly, LLC	06/28/07	\$ 43,542	Bookkeeper
Linebarger Goggan Blair & Sampson, LLP		\$ 890	Delinquent Tax Attorney
BGE, Inc.	08/23/14	\$ 174,371	Engineer
Hilltop Securities, Inc.	08/23/07	\$ 157,676	Financial Advisor
Inframark Water & Infrastructure Services	05/27/04	\$ 478,021	Operator
Kaufman County Tax Office	09/30/03	\$ 2,346	Tax Assessor/ Collector
Kathi Dye	01/01/13	\$ -0-	Investment Officer

See accompanying independent auditor's report.

