

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

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2019

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SUPPLY DISTRICT NO. 1-B**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kaufman County Fresh Water Supply District No. 1-B
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-B (the "District"), as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2019, 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 basic financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

July 23, 2019

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019**

Management's discussion and analysis of Kaufman County Fresh Water Supply District No. 1-B's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended March 31, 2019. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The Statement of Activities reports how the District's net position changed during the current 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 two 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 assessing and collecting taxes.

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements can be found in this report.

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 revenues exceeded assets and deferred outflows of resources by \$1,001,838 as of March 31, 2019.

A portion of the District's net position reflects its net investment in capital assets (water, wastewater, drainage and road facilities, 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.

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

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2019</u>	<u>2018</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 1,319,365	\$ 1,455,183	\$ (135,818)
Capital Assets (Net of Accumulated Depreciation)	<u>4,756,171</u>	<u>5,281,622</u>	<u>(525,451)</u>
Total Assets	<u>\$ 6,075,536</u>	<u>\$ 6,736,805</u>	<u>\$ (661,269)</u>
Deferred Outflows of Resources	<u>\$ 74,341</u>	<u>\$ 79,329</u>	<u>\$ (4,988)</u>
Long -Term Liabilities	\$ 5,940,000	\$ 6,041,233	\$ 101,233
Other Liabilities	<u>583,038</u>	<u>1,047,885</u>	<u>464,847</u>
Total Liabilities	<u>\$ 6,523,038</u>	<u>\$ 7,089,118</u>	<u>\$ 566,080</u>
Deferred Inflows of Resources	<u>\$ 628,677</u>	<u>\$ 643,904</u>	<u>\$ 15,227</u>
Net Position:			
Net Investment in Capital Assets	\$ (1,432,149)	\$ (1,489,342)	\$ 57,193
Restricted	(34,588)	138,814	(173,402)
Unrestricted	<u>464,899</u>	<u>433,640</u>	<u>31,259</u>
Total Net Position	<u>\$ (1,001,838)</u>	<u>\$ (916,888)</u>	<u>\$ (84,950)</u>

The following table provides a summary of the District's operations for the years ended March 31, 2019, and March 31, 2018. The District's net position decreased by \$84,950.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2019</u>	<u>2018</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 643,903	\$ 639,998	\$ 3,905
Charges for Services	962,111	905,586	56,525
Other Revenues	<u>47,215</u>	<u>34,866</u>	<u>12,349</u>
Total Revenues	<u>\$ 1,653,229</u>	<u>\$ 1,580,450</u>	<u>\$ 72,779</u>
Expenses for Services	<u>1,738,179</u>	<u>1,691,891</u>	<u>(46,288)</u>
Change in Net Position	\$ (84,950)	\$ (111,441)	\$ 26,491
Net Position, Beginning of Year	<u>(916,888)</u>	<u>(805,447)</u>	<u>(111,441)</u>
Net Position, End of Year	<u>\$ (1,001,838)</u>	<u>\$ (916,888)</u>	<u>\$ (84,950)</u>

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2019, were \$442,371, a decrease of \$147,068 from the prior year.

The General Fund fund balance increased by \$31,259, primarily due to revenue from charges exceeding operating expenditures.

The Debt Service Fund fund balance decreased by \$178,327, primarily due to the structure of the District's outstanding debt.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors amended the budget during the current fiscal year to increase estimated service revenues, decrease estimated professional fees, and to increase estimated contracted services and repairs and maintenance costs. Actual revenues were \$6,607 more than budgeted revenues. Actual expenditures were \$181,586 less than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of March 31, 2019, total \$4,756,171 (net of accumulated depreciation) and include land and roads as well as the water, wastewater and drainage facilities.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 510,000	\$ 510,000	\$
Capital Assets, Net of Accumulated Depreciation:			
Roadways and Streets	1,071,096	1,352,238	(281,142)
Water System	1,020,596	1,057,625	(37,029)
Wastewater System	680,783	710,682	(29,899)
Drainage System	1,320,835	1,455,980	(135,145)
Landscaping/Irrigation	152,861	195,097	(42,236)
Total Net Capital Assets	\$ 4,756,171	\$ 5,281,622	\$ (525,451)

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-B
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$6,035,106. The changes in the debt position of the District during the fiscal year ended March 31, 2019, are summarized as follows:

Bond Debt Payable, April 1, 2018	\$ 6,429,743
Less: Bond Principal Paid	<u>394,637</u>
Bond Debt Payable, March 31, 2019	<u><u>\$ 6,035,106</u></u>

The District does not have an underlying rating or insured rating as of March 31, 2019.

CONTACTING THE DISTRICT'S MANAGEMENT

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 510,672	\$ 3,144
Investments	81,784	601,146
Receivables:		
Property Taxes		15,791
Service Accounts (Net of Allowance for Uncollectible Accounts of \$2,500)	82,604	
Accrued Interest	71	4,368
Other	13,036	
Due from Other Funds	12,129	
Prepaid Costs	6,749	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 707,045	\$ 624,449
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ - 0 -	\$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 707,045	\$ 624,449

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 513,816	\$	\$ 513,816
682,930		682,930
15,791		15,791
82,604		82,604
4,439		4,439
13,036		13,036
12,129	(12,129)	
6,749		6,749
	510,000	510,000
	<u>4,246,171</u>	<u>4,246,171</u>
<u>\$ 1,331,494</u>	<u>\$ 4,744,042</u>	<u>\$ 6,075,536</u>
<u>\$ - 0 -</u>	<u>\$ 74,341</u>	<u>\$ 74,341</u>
<u>\$ 1,331,494</u>	<u>\$ 4,818,383</u>	<u>\$ 6,149,877</u>

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2019

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 96,296	\$
Accrued Interest Payable		
Due to Other Governmental Units	52,650	
Due to Other Funds		12,129
Security Deposits	93,200	
Capital Appreciation Bond Interest Payable		
Long -Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 242,146	\$ 12,129
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ - 0 -	\$ 634,848
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 6,749	\$
Restricted for Debt Service		(22,528)
Assigned to 2020 Budget Deficit	152,183	
Unassigned	305,967	
TOTAL FUND BALANCES	\$ 464,899	\$ (22,528)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 707,045	\$ 624,449
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>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 96,296	\$ 18,231	\$ 96,296
52,650	(12,129)	18,231
12,129		52,650
93,200	227,555	93,200
	95,106	227,555
	5,940,000	95,106
<u>254,275</u>	<u>6,268,763</u>	<u>5,940,000</u>
\$ <u>634,848</u>	\$ <u>(6,171)</u>	\$ <u>6,523,038</u>
\$ 6,749	\$ (6,749)	\$
(22,528)	22,528	
152,183	(152,183)	
305,967	(305,967)	
<u>442,371</u>	<u>(442,371)</u>	<u>- 0 -</u>
<u>\$ 1,331,494</u>		
	\$ (1,432,149)	\$ (1,432,149)
	(34,588)	(34,588)
	464,899	464,899
	<u>\$ (1,001,838)</u>	<u>\$ (1,001,838)</u>

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

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2019**

Total Fund Balances - Governmental Funds	\$	442,371
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<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>		
		74,341
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		
		4,756,171
<p>Deferred inflows of resources related to property tax revenues for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District.</p>		
		6,171
<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>		
Capital Appreciation Bond Interest Payable	\$ (227,555)	
Accrued Interest Payable	(18,231)	
Bonds Payable within one year	(95,106)	
Bonds Payable after one year	<u>(5,940,000)</u>	<u>(6,280,892)</u>
Total Net Position - Governmental Activities	\$	<u>(1,001,838)</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-B
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2019**

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$	\$ 642,777
Basic Service Charge	595,189	
Water Service	225,638	
Wastewater Service	110,106	
Penalty and Interest	28,560	2,618
Easement Revenues	13,036	
Investment Revenues	2,232	10,262
Miscellaneous Revenues	<u>21,685</u>	
TOTAL REVENUES	<u>\$ 996,446</u>	<u>\$ 655,657</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 170,000	\$ 793
Contracted Services	284,784	7,999
Purchased Water and Wastewater Service	409,290	
Repairs and Maintenance	55,284	
Depreciation		
Other	45,829	22
Debt Service:		
Bond Principal		394,637
Bond Interest		<u>430,533</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 965,187</u>	<u>\$ 833,984</u>
NET CHANGE IN FUND BALANCES	\$ 31,259	\$ (178,327)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2018	<u>433,640</u>	<u>155,799</u>
FUND BALANCES (DEFICIT)/NET POSITION - MARCH 31, 2019	<u>\$ 464,899</u>	<u>\$ (22,528)</u>

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 642,777	\$ 1,126	\$ 643,903
595,189		595,189
225,638		225,638
110,106		110,106
31,178		31,178
13,036		13,036
12,494		12,494
21,685		21,685
\$ 1,652,103	\$ 1,126	\$ 1,653,229
\$ 170,793	\$	\$ 170,793
292,783		292,783
409,290		409,290
55,284		55,284
45,851	525,451	525,451
394,637	(394,637)	
430,533	(191,806)	238,727
\$ 1,799,171	\$ (60,992)	\$ 1,738,179
\$ (147,068)	\$ 147,068	\$
	(84,950)	(84,950)
589,439	(1,506,327)	(916,888)
\$ 442,371	\$ (1,444,209)	\$ (1,001,838)

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
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, 2019

Net Change in Fund Balances - Governmental Funds	\$ (147,068)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>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.</p>	1,126
<p>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.</p>	(525,451)
<p>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.</p>	394,637
<p>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.</p>	<u>191,806</u>
Change in Net Position - Governmental Activities	<u><u>\$ (84,950)</u></u>

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

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. Certain actions of the governing board of District No. 1 were validated by Section 42 of Senate Bill 1444, Acts of the 77th Legislature of the State of Texas, Regular Session, 2001.

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 (District No. 1-A) and Kaufman County Fresh Water Supply District No. 1-B (the "District"). 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 October 2, 2001, and sold its first series of bonds on December 5, 2004.

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 Texas Commission on Environmental Quality (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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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 two 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.

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 the 2017 tax levy collections during the period October 1, 2017, to March 31, 2019, and taxes collected from April 1, 2018, to March 31, 2019, for the 2016 and prior tax levies. The 2018 tax levy has been fully deferred to meet the fiscal year 2020 debt service requirements.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

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. As of March 31, 2019, the Debt Service Fund owed the General Fund \$12,129 for the over transfer of debt service tax collections.

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 \$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:

	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

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was amended during the current fiscal year.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

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 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:

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. The District has assigned \$152,183 of the General Fund fund balance towards the 2020 budget.

Unassigned: all other spendable amounts in the General Fund.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

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 2016 Road Refunding Bonds	
	Current Interest Bonds	Premium Capital Appreciation Bonds
Amounts Outstanding – March 31, 2019	\$ 5,940,000	\$ 95,106
Interest Rates	3.00% - 4.00%	2.60%
Maturity Dates – Serially Beginning/Ending	March 1, 2020/2034	March 1, 2020
Interest Payment Dates	September 1/ March 1	**
Callable Dates	December 1, 2024 *	**

* Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2016 term bonds maturing on March 1, 2034, are subject to mandatory redemption by random selection beginning March 1, 2027.

** The Premium Capital Appreciation Bonds are non-callable. The current par value of these bonds is \$95,106 and the maturity value is \$330,000. Interest on these bonds will be paid at maturity. At March 31, 2019, the accreted value of these bonds is \$322,661. Accrued interest of \$227,555 has been record in the Statement of Net Position as Accrued Interest Payable.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding long-term liabilities payable for the year ended March 31, 2019:

	April 1, 2018	Additions	Retirements	March 31, 2019
Bonds Payable	\$ 6,429,743	\$	\$ 394,637	\$ 6,035,106
Unamortized Discounts	(7,545)		(7,545)	
Unamortized Premiums	13,672		13,672	
Bonds Payable, Net	\$ 6,435,870	\$ - 0 -	\$ 400,764	\$ 6,035,106
		Amount Due Within One Year		\$ 95,106
		Amount Due After One Year		5,940,000
		Bonds Payable, Net		\$ 6,035,106

As of March 31, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 95,106	\$ 453,669	\$ 548,775
2021	330,000	218,775	548,775
2022	345,000	208,875	553,875
2023	355,000	198,525	553,525
2024	370,000	187,876	557,876
2025-2029	2,050,000	743,200	2,793,200
2030-2034	2,490,000	306,800	2,796,800
	\$ 6,035,106	\$ 2,317,720	\$ 8,352,826

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, limited to \$0.70 per \$100 of assessed valuation.

During the year ended March 31, 2019, the District levied an ad valorem debt service tax rate of \$0.5248 per \$100 of assessed valuation, which resulted in a tax levy of \$628,677 on the adjusted taxable valuation of \$119,766,962 for the 2018 tax year. The bond order requires the District to levy and collect an ad valorem debt service tax within the legally voted limitation of \$0.70 per \$100 assessed valuation 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-B
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

The District's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond order states that the District will provide continuing disclosure of certain financial information and operating data to each nationally recognized municipal securities information repository and 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.

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 \$1,196,746 and the bank balance was \$1,462,034. The District was not exposed to custodial credit risk at year-end.

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 510,672	\$ 81,784	\$ 592,456
DEBT SERVICE FUND	3,144	601,146	604,290
TOTAL DEPOSITS	<u>\$ 513,816</u>	<u>\$ 682,930</u>	<u>\$ 1,196,746</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.

As of March 31, 2019, 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>					
Certificates of Deposit	\$ 81,784	\$ 81,784	\$	\$	\$
<u>DEBT SERVICE FUND</u>					
Certificates of Deposit	601,146	601,146	-	-	-
TOTAL INVESTMENTS	<u>\$ 682,930</u>	<u>\$ 682,930</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages interest rate risk by normally investing in certificates of deposit with maturities of one year or less.

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.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2019:

	April 1, 2018	Increases	Decreases	March 31, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 510,000	\$ - 0 -	\$ - 0 -	\$ 510,000
Capital Assets Subject to Depreciation				
Roadways and Streets	\$ 5,060,553	\$	\$	\$ 5,060,553
Water System	1,666,325			1,666,325
Wastewater System	1,174,320			1,174,320
Drainage System	3,315,853			3,315,853
Landscaping/Irrigation	760,250			760,250
Total Capital Assets Subject to Depreciation	\$ 11,977,301	\$ - 0 -	\$ - 0 -	\$ 11,977,301
Less Accumulated Depreciation				
Roadways and Streets	\$ 3,708,315	\$ 281,142	\$	\$ 3,989,457
Water System	608,700	37,029		645,729
Wastewater System	463,638	29,899		493,537
Drainage System	1,859,873	135,145		1,995,018
Landscaping/Irrigation	565,153	42,236		607,389
Total Accumulated Depreciation	\$ 7,205,679	\$ 525,451	\$ - 0 -	\$ 7,731,130
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 4,771,622	\$ (525,451)	\$ - 0 -	\$ 4,246,171
Total Capital Assets, Net of Accumulated Depreciation	\$ 5,281,622	\$ (525,451)	\$ - 0 -	\$ 4,756,171

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 7. MAINTENANCE TAX

The voters of the District have not approved the levy and collection of a maintenance tax on the taxable property within the District.

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, Kaufman County Fresh Water Supply District No. 1-C (District No. 1-C) 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-C.

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. In accordance with the amendments, District No. 1-A will operate the central water and wastewater facilities and each district will now collect the revenues from the customers in its own service area.

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-C and Kaufman County Fresh Water Supply District No. 1-D (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 administration 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, District No. 1-C 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.

As of August 17, 2016, District No. 1-A awarded a contract for the improvement and expansion of the existing wastewater treatment plant comprising a part of the central wastewater facilities. The work was completed in the fall of 2017 with a final cost, including engineering fees, of approximately \$2,650,000. The District and District No. 1-A are negotiating the appropriate allocation of such costs to the District.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

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

During the current fiscal year, the District recorded \$409,290 for purchased water and wastewater service. The following summary audited financial data on the joint water and wastewater treatment facilities is presented for the year ended March 31, 2019.

	Joint Utility Fund
Total Assets	\$ 780,541
Total Liabilities	<u>780,541</u>
Total Fund Balance	<u>\$ -0-</u>
Total Revenues	\$ 1,446,978
Total Expenditures	<u>1,446,978</u>
Net Change in Fund Balance	\$ -0-
Fund Balance – April 1, 2018	<u>-0-</u>
Fund Balance – March 31, 2019	<u>\$ -0-</u>

NOTE 9. 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 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 10. AGREEMENTS FOR PATROL SERVICES AND TRAFFIC ENFORCEMENT

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

On November 27, 2018, the District entered into a letter agreement with District No. 1-C under which the District agrees to pay a portion of the costs under the Patrol Agreement in order to have the District included in the service area under the Patrol Agreement.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 10. AGREEMENTS FOR PATROL SERVICES AND TRAFFIC ENFORCEMENT (Continued)

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-C 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.

Effective March 5, 2014, the District and County entered into an Interlocal Cooperation Agreement for Traffic Regulation in Special District. Under this Agreement, the County extends its traffic regulations to roads owned, operated and maintained by the District. The District agrees to pay the County an annual fee of \$100 under this Agreement, and the term of the Agreement is five years.

NOTE 11. DEFICIT FUND BALANCE

As of March 31, 2019, the District recorded a deficit fund balance of \$22,528 in the Debt Service Fund. This deficit incurred due to the timing of property tax collections, debt service payments and costs associated with collecting and assessing the taxes.

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KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
REQUIRED SUPPLEMENTARY INFORMATION
MARCH 31, 2019

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2019

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Basic Service Charge	\$ 567,055	\$ 593,452	\$ 595,189	\$ 1,737
Water Service	190,130	233,585	225,638	(7,947)
Wastewater Service	94,439	104,798	110,106	5,308
Penalty and Interest	28,800	28,746	28,560	(186)
Easement Revenue	11,424	11,100	13,036	1,936
Investment Revenues	600	1,472	2,232	760
Miscellaneous Revenues	71,400	16,686	21,685	4,999
TOTAL REVENUES	\$ 963,848	\$ 989,839	\$ 996,446	\$ 6,607
EXPENDITURES				
Services Operations:				
Professional Fees	\$ 152,550	\$ 85,114	\$ 170,000	\$ (84,886)
Contracted Services	244,155	275,368	284,784	(9,416)
Purchased Water and Wastewater Service	460,822	457,701	409,290	48,411
Repairs and Maintenance	207,000	294,202	55,284	238,918
Other	28,138	34,388	45,829	(11,441)
TOTAL EXPENDITURES	\$ 1,092,665	\$ 1,146,773	\$ 965,187	\$ 181,586
NET CHANGE IN FUND BALANCE	\$ (128,817)	\$ (156,934)	\$ 31,259	\$ 188,193
FUND BALANCE - APRIL 1, 2018	433,640	433,640	433,640	
FUND BALANCE - MARCH 31, 2019	\$ 304,823	\$ 276,706	\$ 464,899	\$ 188,193

See accompanying independent auditor's report.

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KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
MARCH 31, 2019

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2019**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved February 26, 2019.

	<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	\$ 3.00 \$ 4.50 \$ 6.00	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:	\$ 79.75		Y		
SURCHARGE:					
Commission	0.5% of				
Regulatory Assessments	actual water and sewer bill				

District employs winter averaging for wastewater usage? X
Yes
No

Total monthly charges per 10,000 gallons usage: Water: \$37.50 Wastewater: \$30.00 Service Charge \$79.75
Surcharge: \$0.74 Total: \$147.99

See accompanying independent auditor's report.

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2019**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤ ³ / ₄ "	677	673	x 1.0	673
1"	2	2	x 2.5	5
1½"			x 5.0	
2"	5	5	x 8.0	40
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>684</u>	<u>680</u>		<u>718</u>
Total Wastewater Connections	<u>672</u>	<u>668</u>	x 1.0	<u>668</u>

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

		Water Accountability Ratio: (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	61,479,000	*
Gallons purchased:	*	From: Kaufman County Fresh Water Supply District No. 1-A

* Kaufman County Fresh Water Supply District No. 1-A supplies water to the District, Kaufman County Fresh Water Supply District No. 1-C and Kaufman County Fresh Water Supply District No. 1-D.

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2019

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:

Kaufman County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ's in which District is located:

City of Forney, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2019

PROFESSIONAL FEES:	
Auditing	\$ 16,000
Engineering	86,577
Legal	63,923
Financial Advisor	<u>3,500</u>
TOTAL PROFESSIONAL FEES	<u>\$ 170,000</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water and Wastewater Service	<u>\$ 409,290</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 30,156
Operations and Billing	<u>89,277</u>
TOTAL CONTRACTED SERVICES	<u>\$ 119,433</u>
REPAIRS AND MAINTENANCE	<u>\$ 55,284</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 11,700
Election Costs	35
Insurance	6,569
Legal Notices	142
Office Supplies and Postage	184
Payroll Taxes	1,136
Travel and Meetings	2,472
Regulatory Assessment	4,466
Other	<u>16,755</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 43,459</u>
SOLID WASTE DISPOSAL	<u>\$ 103,742</u>
SECURITY	<u>\$ 61,609</u>
OTHER EXPENDITURES:	
Reconnection Fees	<u>\$ 2,370</u>
TOTAL EXPENDITURES	<u>\$ 965,187</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
INVESTMENTS
MARCH 31, 2019

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
Certificate of Deposit	XXXX0799	2.300%	08/29/19	\$ 20,269	\$ 3
Certificate of Deposit	XXXX0324	2.031%	07/12/19	<u>61,515</u>	<u>68</u>
TOTAL GENERAL FUND				<u>\$ 81,784</u>	<u>\$ 71</u>
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXX8532	2.00%	06/21/19	\$ 260,000	\$ 4,092
Certificate of Deposit	XXXX0425	2.35%	07/22/19	50,000	222
Certificate of Deposit	XXXX4359	2.23%	03/20/20	190,000	35
Certificate of Deposit	XXXX0707	2.30%	09/25/19	<u>101,146</u>	<u>19</u>
TOTAL DEBT SERVICE FUND				<u>\$ 601,146</u>	<u>\$ 4,368</u>
TOTAL - ALL FUNDS				<u>\$ 682,930</u>	<u>\$ 4,439</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2019

	Debt Service Taxes	
TAXES RECEIVABLE -		
APRIL 1, 2018	\$ 12,671	
Adjustments to Beginning		
Balance		\$ 12,671
Original 2018 Tax Levy	\$ 629,102	
Adjustment to 2018 Tax Levy	(425)	628,677
TOTAL TO BE		
ACCOUNTED FOR		\$ 641,348
 TAX COLLECTIONS:		
Prior Years	\$ 6,500	
Current Year	619,057	625,557
 TAXES RECEIVABLE -		
MARCH 31, 2019		\$ 15,791
 TAXES RECEIVABLE BY		
YEAR:		
2018		\$ 9,620
2017		2,789
2016		1,884
2015		77
2014		70
2013		70
2012		175
2011		175
2010 and Prior		931
TOTAL		\$ 15,791

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2019

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PROPERTY VALUATIONS:				
Land	\$ 16,803,000	\$ 16,803,000	\$ 16,803,000	\$ 16,803,000
Improvements	107,872,719	102,267,402	90,762,974	71,039,095
Personal Property	410,970	344,520	348,100	129,210
Exemptions	<u>(5,319,727)</u>	<u>(7,881,457)</u>	<u>(8,161,355)</u>	<u>(800,463)</u>
TOTAL PROPERTY VALUATIONS	<u><u>\$ 119,766,962</u></u>	<u><u>\$ 111,533,465</u></u>	<u><u>\$ 99,752,719</u></u>	<u><u>\$ 87,170,842</u></u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.5248	\$ 0.5772	\$ 0.6414	\$ 0.70
Maintenance	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.00</u>
TOTAL TAX RATES PER \$100 VALUATION	<u><u>\$ 0.5248</u></u>	<u><u>\$ 0.5772</u></u>	<u><u>\$ 0.6414</u></u>	<u><u>\$ 0.70</u></u>
ADJUSTED TAX LEVY*	<u><u>\$ 628,677</u></u>	<u><u>\$ 643,904</u></u>	<u><u>\$ 639,998</u></u>	<u><u>\$ 610,222</u></u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u><u>98.47 %</u></u>	<u><u>99.57 %</u></u>	<u><u>99.71 %</u></u>	<u><u>99.99 %</u></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 – As of March 31, 2019, the voters of the District have not authorized the levy and collection of a maintenance tax.

See accompanying independent auditor's report.

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KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2019

SERIES - 2016 REFUNDING ROAD BONDS

Due During Fiscal Years Ending March 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2020	\$ 95,106	\$ 453,669	\$ 548,775
2021	330,000	218,775	548,775
2022	345,000	208,875	553,875
2023	355,000	198,525	553,525
2024	370,000	187,876	557,876
2025	380,000	176,775	556,775
2026	395,000	164,425	559,425
2027	410,000	150,600	560,600
2028	425,000	134,200	559,200
2029	440,000	117,200	557,200
2030	455,000	99,600	554,600
2031	480,000	81,400	561,400
2032	500,000	62,200	562,200
2033	520,000	42,200	562,200
2034	535,000	21,400	556,400
	<u>\$ 6,035,106</u>	<u>\$ 2,317,720</u>	<u>\$ 8,352,826</u>

See accompanying independent auditor's report.

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2019**

Description	Original Bonds Issued	Bonds Outstanding April 1, 2018
Kaufman County Fresh Water Supply District No. 1-B Limited Tax Road Bonds - Series 2004	\$ 8,875,472	\$ 265,000
Kaufman County Fresh Water Supply District No. 1-B Limited Tax Refunding Road Bonds - Series 2016	<u>6,459,743</u>	<u>6,164,743</u>
TOTAL	<u>\$ 15,335,215</u>	<u>\$ 6,429,743</u>
 Bond Authority:	<u>Tax Bonds*</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	Up to \$8,900,000	
Amount Issued	<u>8,875,472</u>	<u> </u>
Remaining to be Issued	<u>\$ 24,528</u>	<u>N/A</u>
 Debt Service Fund cash, investments and cash with paying agent balances as of March 31, 2019:		<u>\$ 604,290</u>
 Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 556,855</u>

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.

Current Year Transactions

Bonds Sold	Retirements		Bonds Outstanding March 31, 2019	Paying Agent
	Principal	Interest		
\$	\$ 265,000	\$ 11,395	\$ - 0 -	The Bank of New York Mellon Trust Company Tulsa, Oklahoma
	129,637	419,138	6,035,106	BOKF N.A. Dallas, TX
\$ - 0 -	\$ 394,637	\$ 430,533	\$ 6,035,106	

See accompanying independent auditor's report.

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

	Amounts		
	2019	2018	2017
REVENUES			
Basic Service Charge	\$ 595,189	\$ 564,536	\$ 565,963
Water Service	225,638	202,016	164,304
Wastewater Service	110,106	109,152	112,753
Penalty and Interest	28,560	28,050	28,558
Easement Revenues	13,036	11,100	9,856
Investment Revenues	2,232	978	1,657
Miscellaneous Revenues	21,685	19,369	18,750
TOTAL REVENUES	\$ 996,446	\$ 935,201	\$ 901,841
EXPENDITURES			
Professional Fees	\$ 170,000	\$ 132,968	\$ 121,835
Contracted Services	284,784	226,176	231,213
Purchased Water and Wastewater Service	409,290	391,445	396,825
Repairs and Maintenance	55,284	118,657	45,132
Other	45,829	38,916	33,487
Capital Outlay		76,850	39,624
TOTAL EXPENDITURES	\$ 965,187	\$ 985,012	\$ 868,116
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 31,259	\$ (49,811)	\$ 33,725
OTHER FINANCING SOURCES (USES)			
Transfers Out	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 31,259	\$ (49,811)	\$ 33,725
BEGINNING FUND BALANCE	433,640	483,451	449,726
ENDING FUND BALANCE	\$ 464,899	\$ 433,640	\$ 483,451

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2016	2015	2019	2018	2017	2016	2015
\$ 564,508	\$ 563,539	59.8 %	60.3 %	62.7 %	55.8 %	60.9 %
267,678	179,860	22.6	21.6	18.2	26.4	19.5
110,165	107,514	11.0	11.7	12.5	10.9	11.6
34,650	29,429	2.9	3.0	3.2	3.4	3.2
11,424	15,251	1.3	1.2	1.1	1.1	1.7
486	942	0.2	0.1	0.2		0.1
23,923	27,543	2.2	2.1	2.1	2.4	3.0
<u>\$ 1,012,834</u>	<u>\$ 924,078</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 97,907	\$ 60,700	17.1 %	14.2 %	13.5 %	9.7 %	6.6 %
241,517	208,582	28.6	24.2	25.6	23.8	22.6
490,040	450,817	41.1	41.9	44.0	48.4	48.8
33,555	102,817	5.5	12.7	5.0	3.3	11.1
30,246	33,752	4.6	4.2	3.7	3.0	3.7
20,321			8.2	4.4	2.0	
<u>\$ 913,586</u>	<u>\$ 856,668</u>	<u>96.9 %</u>	<u>105.4 %</u>	<u>96.2 %</u>	<u>90.2 %</u>	<u>92.8 %</u>
\$ 99,248	\$ 67,410	<u>3.1 %</u>	<u>(5.4) %</u>	<u>3.8 %</u>	<u>9.8 %</u>	<u>7.2 %</u>
<u>\$ - 0 -</u>	<u>\$ (53,000)</u>					
\$ 99,248	\$ 14,410					
<u>350,478</u>	<u>336,068</u>					
<u>\$ 449,726</u>	<u>\$ 350,478</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 642,777	\$ 637,207	\$ 609,551
Penalty and Interest	2,618	1,832	1,641
Interest on Investments	<u>10,262</u>	<u>3,419</u>	<u>881</u>
TOTAL REVENUES	<u>\$ 655,657</u>	<u>\$ 642,458</u>	<u>\$ 612,073</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 8,464	\$ 9,083	\$ 2,023
Debt Service Principal	394,637	305,000	490,000
Debt Service Interest and Fees	<u>430,883</u>	<u>243,938</u>	<u>260,819</u>
TOTAL EXPENDITURES	<u>\$ 833,984</u>	<u>\$ 558,021</u>	<u>\$ 752,842</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (178,327)</u>	<u>\$ 84,437</u>	<u>\$ (140,769)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	\$	\$	\$
Long-Term Debt Issued			
Transfer to Refunded Bond Escrow Agent			
Bond Premium			
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ (178,327)	\$ 84,437	\$ (140,769)
BEGINNING FUND BALANCE	<u>155,799</u>	<u>71,362</u>	<u>212,131</u>
ENDING FUND BALANCE	<u>\$ (22,528)</u>	<u>\$ 155,799</u>	<u>\$ 71,362</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>680</u>	<u>677</u>	<u>677</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>668</u>	<u>665</u>	<u>665</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2016	2015	2019	2018	2017	2016	2015
\$ 582,847	\$ 537,908	98.0 %	99.2 %	99.6 %	99.8 %	99.1 %
101	2,500	0.4	0.3	0.3		0.5
1,078	2,104	1.6	0.5	0.1	0.2	0.4
<u>\$ 584,026</u>	<u>\$ 542,512</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 254,788	\$ 473	1.3 %	1.4 %	0.3 %	43.6 %	0.1 %
230,000	220,000	60.2	47.5	80.1	39.4	40.6
<u>358,795</u>	<u>367,245</u>	<u>65.7</u>	<u>38.0</u>	<u>42.6</u>	<u>61.4</u>	<u>67.7</u>
<u>\$ 843,583</u>	<u>\$ 587,718</u>	<u>127.2 %</u>	<u>86.9 %</u>	<u>123.0 %</u>	<u>144.4 %</u>	<u>108.4 %</u>
<u>\$ (259,557)</u>	<u>\$ (45,206)</u>	<u>(27.2) %</u>	<u>13.1 %</u>	<u>(23.0) %</u>	<u>(44.4) %</u>	<u>(8.4) %</u>
\$ 6,459,743	\$ 53,000					
(6,604,174)						
<u>401,776</u>						
<u>\$ 257,345</u>	<u>\$ 53,000</u>					
\$ (2,212)	\$ 7,794					
<u>214,343</u>	<u>206,549</u>					
<u>\$ 212,131</u>	<u>\$ 214,343</u>					
<u>676</u>	<u>680</u>					
<u>664</u>	<u>668</u>					

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-B
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2019

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

District Telephone Number - (214) 981-9090

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended March 31, 2019	Expense reimbursements for the year ended March 31, 2019	Title
John Rooney	05/18 05/22 (Elected)	\$ 3,000	\$ 2,593	President
Brian Billings	05/18 05/22 (Elected)	\$ 3,150	\$ 2,690	Vice President
Landon Bryant	05/16 05/20 (Elected)	\$ 1,950	\$ 72	Secretary
Megan LaBounty	05/16 05/20 (Elected)	\$ 1,950	\$ 72	Assistant Secretary
John Kissling	10/17 05/20 (Appointed)	\$ 4,800	\$ 2,442	Director

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 24, 2018

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 24, 2008. 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-B
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2019

Consultants:	<u>Date Hired</u>	<u>Fees for the fiscal year ended March 31, 2019</u>	<u>Title</u>
Crawford & Jordan LLP	01/24/08	\$ 64,065	General Counsel
McCall Gibson Swedlund Barfoot PLLC	03/29/05	\$ 15,500 \$ 500	Auditor Other Services
Dye & Toverly, LLC	06/28/07	\$ 30,202	Bookkeeper
Linebarger Goggan Blair & Sampson, LLP		\$ 793	Delinquent Tax Attorney
Jones & Carter, Inc.	04/22/10	\$ 86,577	Engineer
Hilltop Securities, Inc.		\$ 3,500	Financial Advisor
Kathi Dye	06/28/07	\$ - 0 -	Investment Officer
Inframark Water & Infrastructure Services	05/27/04	\$ 101,023	Operator
Kaufman County Tax Office	12/10/04	\$ 1,055	Tax Assessor/ Collector

See accompanying independent auditor's report.

