

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**

**DENTON COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FEBRUARY 28, 2018**



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Denton County Fresh Water Supply District No. 8-C  
Denton County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Denton County Fresh Water Supply District No. 8-C (the "District"), as of and for the year ended February 28, 2018, 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 February 28, 2018, 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 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

June 20, 2018



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED FEBRUARY 28, 2018**

Management's discussion and analysis of Denton County Fresh Water Supply District No. 8-C's (the "District") financial performance provides an overview of the District's financial activities for the year ended February 28, 2018. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

**FUND FINANCIAL STATEMENTS**

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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED FEBRUARY 28, 2018**

**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 \$1,208,900 as of February 28, 2018.

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

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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED FEBRUARY 28, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2018</u>	<u>2017</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 11,411,081	\$ 13,611,436	\$ (2,200,355)
Capital Assets (Net of Accumulated Depreciation)	<u>36,101,334</u>	<u>31,277,055</u>	<u>4,824,279</u>
Total Assets	<u>\$ 47,512,415</u>	<u>\$ 44,888,491</u>	<u>\$ 2,623,924</u>
Deferred Outflows of Resources	<u>\$ 465,617</u>	<u>\$ 499,271</u>	<u>\$ (33,654)</u>
Due to Developer	\$ 2,898,019	\$ 2,826,876	\$ (71,143)
Long-Term Liabilities	39,132,113	40,137,113	1,005,000
Other Liabilities	<u>3,930,930</u>	<u>1,697,963</u>	<u>(2,232,967)</u>
Total Liabilities	<u>\$ 45,961,062</u>	<u>\$ 44,661,952</u>	<u>\$ (1,299,110)</u>
Deferred Inflows of Resources	<u>\$ 3,225,870</u>	<u>\$ 2,783,916</u>	<u>\$ (441,954)</u>
Net Position:			
Net Investment in Capital Assets	\$ (5,195,221)	\$ (5,042,406)	\$ (152,815)
Restricted	1,163,093	729,391	433,702
Unrestricted	<u>2,823,228</u>	<u>2,254,909</u>	<u>568,319</u>
Total Net Position	<u>\$ (1,208,900)</u>	<u>\$ (2,058,106)</u>	<u>\$ 849,206</u>

\*

The following table provides a summary of the District's operations for the years ending February 28, 2018, and February 28, 2017.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2018</u>	<u>2017</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 3,628,651	\$ 2,915,421	\$ 713,230
Charges for Services	1,651,324	1,522,514	128,810
Other Revenues	<u>115,999</u>	<u>66,499</u>	<u>49,500</u>
Total Revenues	<u>\$ 5,395,974</u>	<u>\$ 4,504,434</u>	<u>\$ 891,540</u>
Expenses for Services	<u>4,546,768</u>	<u>4,409,068</u>	<u>(137,700)</u>
Change in Net Position	\$ 849,206	\$ 95,366	\$ 753,840
Net Position, Beginning of Year	<u>(2,058,106)</u>	<u>(2,153,472)</u>	<u>95,366</u>
Net Position, End of Year	<u>\$ (1,208,900)</u>	<u>\$ (2,058,106)</u>	<u>\$ 849,206</u>

\*As Adjusted, See Note 15

\*

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED FEBRUARY 28, 2018**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's total fund balances as of February 28, 2018, was \$5,400,961, a decrease of \$4,943,850 from the prior year.

The General Fund fund balance increased by \$556,768, primarily due to property tax revenues and service revenues exceeding operating expenditures and capital outlay for the year.

The Debt Service Fund fund balance increased by \$364,371, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$5,864,989 due to capital outlay costs paid from bond proceeds received in a prior year and costs related to the issuance of the District's Bond Anticipation Note.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors amended the budget during the current year. Actual revenues were \$178,080 more than budgeted revenues, primarily due to higher than anticipated property tax revenues. Actual expenditures were \$127,603 more than budgeted expenditures, primarily due to higher than anticipated repairs and maintenance and capital outlay costs.

**CAPITAL ASSETS**

The District's capital assets as of February 28, 2018, total \$36,101,334 (net of accumulated depreciation). These capital assets include roads, land and the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 915,680	\$ 915,680	\$
Construction in Progress	2,936,585	448,797	2,487,788
Capital Assets, Net of Accumulated Depreciation:			
Roads	14,323,882	12,546,259	1,777,623
Water System	7,146,794	6,949,716	197,078
Wastewater System	5,649,958	5,502,652	147,306
Drainage System	4,237,351	3,985,908	251,443
Wastewater Service Fee-Town of Little Elm	757,574	790,027	(32,453)
Certificate of Convenience and Necessity	133,510	138,016	(4,506)
Total Net Capital Assets	\$ 36,101,334	\$ 31,277,055	\$ 4,824,279

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED FEBRUARY 28, 2018**

**LONG-TERM DEBT ACTIVITY**

As of February 28, 2018, the District had total bond debt payable of \$39,468,277. The changes in the debt position of the District during the year ended February 28, 2018, are summarized as follows:

Bond Debt Payable, March 1, 2017	\$ 40,493,277
Less: Bond Principal Paid	<u>1,025,000</u>
Bond Debt Payable, February 28, 2018	<u>\$ 39,468,277</u>

All outstanding bonds, except for the Series 2006 and 2012 Bonds, carry an underlying rating of “BBB”. The Series 2012 Bonds do not carry an insured rating. The Series 2013 and Series 2013A Bonds carry insured ratings of “AA” by virtue of bond insurance issued by Assured Guaranty Municipal. The Series 2006 Bonds carry an insured rating of “AA” by virtue of bond insurance issued by Assured Guaranty Corp. The Series 2014A, Series 2014B, Series 2015, Series 2015 Road, Series 2016 and Series 2016 Road Bonds carry an insured rating of “AA” by virtue of bond insurance issued by Build America Mutual. The above ratings reflect all changes, if any, through the fiscal year ended February 28, 2018.

**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 Denton County Fresh Water Supply District No. 8-C, c/o Winstead PC, 2728 N. Harwood Street, Suite 500, Dallas, Texas 75201.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**FEBRUARY 28, 2018**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 319,662	\$ 2,931,868
Investments	1,505,267	1,782,603
Cash with Fiscal Agent		215,300
Receivables:		
Property Taxes	37,814	133,716
Service Accounts	125,158	
Accrued Interest	8,377	11,476
Other	5,635	
Due from Developer	100,000	
Due from Other Funds	1,110,221	
Prepaid Costs	16,116	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	3,228,250	5,074,963
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 3,228,250	\$ 5,074,963

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



Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 3,725,310	\$ 6,976,840	\$	\$ 6,976,840
409,526	3,697,396		3,697,396
	215,300		215,300
	171,530		171,530
	125,158		125,158
	19,853		19,853
	5,635		5,635
61,891	161,891		161,891
17,719	1,127,940	(1,127,940)	
	16,116	21,362	37,478
		915,680	915,680
		2,936,585	2,936,585
		32,249,069	32,249,069
<u>4,214,446</u>	<u>12,517,659</u>	<u>\$ 34,994,756</u>	<u>47,512,415</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 465,617</u>	<u>\$ 465,617</u>
<u>\$ 4,214,446</u>	<u>\$ 12,517,659</u>	<u>\$ 35,460,373</u>	<u>\$ 47,978,032</u>

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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**FEBRUARY 28, 2018**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 127,747	\$
Accrued Interest Payable		
Due to Other Governmental Units	65,446	
Due to Developers		
Due to Other Funds		34,843
Security Deposits	233,191	
Accrued Interest on Compound Interest Bonds		
Bond Anticipation Note Payable		
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
	\$ 426,384	\$ 34,843
<b>TOTAL LIABILITIES</b>		
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 37,814	\$ 3,253,577
<b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 16,116	\$
Restricted for Authorized Construction		
Restricted for Debt Service		1,786,543
Restricted for Little Elm Sewer Reserve	196,716	
Unassigned	2,551,220	
	\$ 2,764,052	\$ 1,786,543
<b>TOTAL FUND BALANCES</b>		
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	\$ 3,228,250	\$ 5,074,963
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 463,605	\$ 591,352	\$	\$ 591,352
2,378	2,378	651,157	653,535
	65,446		65,446
		2,898,019	2,898,019
1,093,097	1,127,940	(1,127,940)	
	233,191		233,191
		582,406	582,406
1,805,000	1,805,000		1,805,000
		922,198	922,198
		38,209,915	38,209,915
<u>\$ 3,364,080</u>	<u>\$ 3,825,307</u>	<u>\$ 42,135,755</u>	<u>\$ 45,961,062</u>
<u>\$ -0-</u>	<u>\$ 3,291,391</u>	<u>\$ (65,521)</u>	<u>\$ 3,225,870</u>
\$	\$ 16,116	\$ (16,116)	\$
850,366	850,366	(850,366)	
	1,786,543	(1,786,543)	
	196,716	(196,716)	
	2,551,220	(2,551,220)	
<u>\$ 850,366</u>	<u>\$ 5,400,961</u>	<u>\$ (5,400,961)</u>	<u>\$ - 0 -</u>
<u>\$ 4,214,446</u>	<u>\$ 12,517,659</u>		
		\$ (5,195,221)	\$ (5,195,221)
		1,163,093	1,163,093
		2,823,228	2,823,228
		<u>\$ (1,208,900)</u>	<u>\$ (1,208,900)</u>

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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
FEBRUARY 28, 2018**

Total Fund Balances - Governmental Funds	\$ 5,400,961
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Prepaid bond insurance costs are amortized over the term of the debt in governmental activities.	21,362
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Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.	465,617
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	36,101,334
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Deferred inflows of resources related to property tax revenues for the 2016 and prior debt service tax levies and the 2017 and prior maintenance tax levies became part of recognized revenue in the governmental activities of the District.	65,521
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (2,898,019)	
Accrued Interest Payable	(1,233,563)	
Bonds Payable	(39,132,113)	(43,263,695)
Total Net Position - Governmental Activities		<u>\$ (1,208,900)</u>

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

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**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED FEBRUARY 28, 2018**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 833,516	\$ 2,779,069
Water Service	731,350	
Wastewater Service	593,134	
Solid Waste Revenue	238,453	
Penalty and Interest	38,187	
Permit Fees	50,200	
Investment Revenues	21,495	22,605
Sales Tax Receipts	16,391	
Miscellaneous Revenues	49,692	
<b>TOTAL REVENUES</b>	<b>\$ 2,572,418</b>	<b>\$ 2,801,674</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 195,984	\$ 27,857
Contracted Services	655,108	
Purchased Water Service	295,556	
Purchased Wastewater Service	459,467	
Utilities	79,820	
Repairs and Maintenance	248,602	
Depreciation		
Other	55,843	
Capital Outlay	25,270	
Debt Service:		
Bond/BAN Issuance Costs		
Bond Principal		1,025,000
Bond Interest		1,384,446
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 2,015,650</b>	<b>\$ 2,437,303</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 556,768</b>	<b>\$ 364,371</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES(DEFICIT)/NET POSITION -</b>		
<b>MARCH 1, 2017, AS ADJUSTED</b>	2,207,284	1,422,172
<b>FUND BALANCES/NET POSITION -</b>		
<b>FEBRUARY 28, 2018</b>	<b>\$ 2,764,052</b>	<b>\$ 1,786,543</b>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 3,612,585	\$ 16,066	\$ 3,628,651
	731,350		731,350
	593,134		593,134
	238,453		238,453
	38,187		38,187
	50,200		50,200
5,816	49,916		49,916
	16,391		16,391
	49,692		49,692
\$ 5,816	\$ 5,379,908	\$ 16,066	\$ 5,395,974
\$	\$ 195,984	\$	\$ 195,984
	682,965		682,965
	295,556		295,556
	459,467		459,467
	79,820		79,820
	248,602		248,602
		842,873	842,873
212,711	268,554		268,554
5,570,739	5,596,009	(5,596,009)	
87,355	87,355		87,355
	1,025,000	(1,025,000)	
	1,384,446	1,146	1,385,592
\$ 5,870,805	\$ 10,323,758	\$ (5,776,990)	\$ 4,546,768
\$ (5,864,989)	\$ (4,943,850)	\$ 4,943,850	\$
		849,206	849,206
6,715,355	10,344,811	(12,402,917)	(2,058,106)
\$ 850,366	\$ 5,400,961	\$ (6,609,861)	\$ (1,208,900)

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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED FEBRUARY 28, 2018**

Net Change in Fund Balances - Governmental Funds	\$ (4,943,850)
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, revenues are recorded in the accounting period for which the taxes are levied.	16,066
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.	(842,873)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	5,596,009
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	1,025,000
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.	(1,146)
Change in Net Position - Governmental Activities	<u>\$ 849,206</u>

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



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2018**

**NOTE 1. CREATION OF DISTRICT**

On June 27, 2000, the Denton County Commissioners Court approved the order creating Denton County Fresh Water Supply District No. 8 of Denton County, Texas (the "District"). As a result of another election held on November 7, 2000, the voters approved the District's assumption of certain rights, authority, privileges and functions of a road district and approved for the District to purchase, construct, acquire, own, operate, repair, improve and extend sanitary sewer system. On December 4, 2000, following a hearing, the governing board of the District approved the conversion of the District to a Water Control and Improvement District and conversion to 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 the District on May 5, 2001, voters approved the division of the District into two new districts of which Denton County Fresh Water Supply District No. 8-B was one. At an election held within the boundaries of District No. 8-B on November 5, 2002, voters approved the division of the District into two new districts of which Denton County Fresh Water Supply District No. 8-C was one. The District held its first meeting on December 3, 2002. Pursuant to the provisions of Chapters 49, 51 and 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, parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Government-Wide Financial Statements (Continued)

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.

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 major governmental funds.

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

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

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

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include taxes collected during the 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 revenues for the 2017 debt service tax levied in the current fiscal year has been deferred until 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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting (Continued)

is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of February 28, 2018, the Debt Service Fund owes the General Fund \$17,124 for debt service tax collections and owes the Capital Projects Fund \$17,719 for bond issuance costs. In addition, the Capital Projects Fund owes the General Fund \$47,058 for bond issuance costs and owes the General Fund \$1,046,039 for reimbursable capital costs.

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
Roads	45
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
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.

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 wages subject to federal income tax withholding for payroll purposes only.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the 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 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.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2018**

**NOTE 3. LONG-TERM DEBT**

	<u>Series 2006</u>	<u>Series 2012</u>	<u>Series 2013</u>
Amounts Outstanding – February 28, 2018	\$ 685,000	\$ 3,080,000	\$ 2,810,000
Interest Rates	4.00% - 4.25%	3.25% - 3.80%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2018/2028	September 1, 2018/2032	September 1, 2018/2033
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2015*	September 1, 2022*	September 1, 2023*
	<u>Series 2013A</u>	<u>Series 2014A</u>	<u>Series 2014B</u>
Amounts Outstanding – February 28, 2018	\$ 2,885,000	\$ 2,710,000	\$ 4,148,277
Interest Rates	3.00% - 4.85%	2.00% - 3.00%	3.00% - 3.125%
Maturity Dates – Serially Beginning/Ending	September 1, 2018/2035	September 1, 2018/2026	September 1, 2018/2031
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2023*	September 1, 2024*	September 1, 2024**

\* Or any date thereafter at a price of par plus unpaid accrued interest to the date fixed for redemption. For the Series 2006 bond issue, the bonds maturing on September 1, 2018 and 2028, are term bonds and are subject to mandatory redemption beginning September 1, 2017. For the Series 2012 bond issue, the bonds maturing on September 1, 2026, 2028, 2030 and 2032, are term bonds and are subject to mandatory redemption beginning September 1, 2025. For the Series 2013 road bond issue, the bonds maturing on September 1, 2028, are term bonds and are subject to mandatory redemption beginning September 1, 2023. For the Series 2013A road bond issue, the bonds maturing on September 1, 2027, 2030, and 2033, are term bonds and are subject to mandatory redemption on September 1, 2023, 2028 and 2031, respectively. For the Series 2014B bond issue, the bonds maturing on September 1, 2028 are term bonds and are subject to mandatory redemption on September 1, 2027.

\*\* Or any date thereafter at a price equal to the principal amount plus accrued interest to the date fixed for redemption. The par value of the Capital Appreciation Bonds is \$3,277 and the maturity value is \$600,000. Interest on these bonds will be paid at maturity. At February 28, 2018, the accreted value of these bonds is approximately \$585,683. Accrued interest of \$582,406 has been recorded in the Statement of Net Position.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2018**

**NOTE 3. LONG-TERM DEBT (Continued)**

	<u>Series 2015 Utility</u>	<u>Series 2015 Road</u>	<u>Series 2016 Utility</u>
Amounts Outstanding – February 28, 2018	\$ 5,415,000	\$ 4,170,000	\$ 6,350,000
Interest Rates	2.00% - 3.75%	2.00% - 4.00%	2.00% - 3.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2018/2039	September 1, 2018/2040	September 1, 2018/2041
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2023*	September 1, 2023*	September 1, 2024*
	<u>Series 2016 Road</u>		
Amounts Outstanding – February 28, 2018	\$ 7,215,000		
Interest Rates	2.00% - 5.00%		
Maturity Dates – Serially Beginning/Ending	September 1, 2018/2041		
Interest Payment Dates	March 1/ September 1		
Callable Dates	September 1, 2024*		

\* Or any date thereafter at a price of par plus unpaid accrued interest to the date fixed for redemption. For the Series 2015 utility bond issue, the bonds maturing on September 1, 2025, 2029, 2033 and 2039, are term bonds and are subject to mandatory redemption beginning September 1, 2024, 2026, 2030 and 2038, respectively. For the Series 2015 road bond issue, the bonds maturing on September 1, 2027, 2030, 2032, 2038 and 2040, are term bonds and are subject to mandatory redemption beginning September 1, 2026, 2028, 2031, 2037 and 2039, respectively. For the Series 2016 utility bond issue, the bonds maturing on September 1, 2026, 2028, 2030, 2032, 2034, 2036, 2038 and 2041, are term bonds and are subject to mandatory redemption beginning September 1, 2025, 2027, 2029, 2031, 2033, 2035, 2037 and 2039, respectively. For the Series 2016 road bond issue, the bonds maturing on September 1, 2028, 2030, 2034 and 2036, are term bonds and are subject to mandatory redemption beginning September 1, 2027, 2029, 2031 and 2035, respectively.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2018**

**NOTE 3. LONG-TERM DEBT (Continued)**

The following is a summary of transactions regarding long-term liabilities for the year ended February 28, 2018:

	March 1, 2017	Additions	Retirements	February 28, 2018
Bonds Payable	\$ 40,493,277	\$	\$ 1,025,000	\$ 39,468,277
Unamortized Discounts	(444,776)		(27,678)	(417,098)
Unamortized Premiums	88,612		7,678	80,934
Total Long-Term Liabilities	<u>\$ 40,137,113</u>	<u>\$ -0-</u>	<u>\$ 1,005,000</u>	<u>\$ 39,132,113</u>
		Amount Due Within One Year		\$ 922,198
		Amount Due After One Year		<u>38,209,915</u>
		Total Long-Term Liabilities		<u>\$ 39,132,113</u>

The bonds of the District are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. As of February 28, 2018, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 922,198	\$ 1,520,116	\$ 2,442,314
2020	791,079	1,655,609	2,446,688
2021	1,190,000	1,256,264	2,446,264
2022	1,225,000	1,223,838	2,448,838
2023	1,265,000	1,186,878	2,451,878
2024-2028	6,940,000	5,338,880	12,278,880
2029-2033	8,170,000	4,145,973	12,315,973
2034-2038	9,805,000	2,544,587	12,349,587
2039-2042	9,160,000	746,862	9,906,862
	<u>\$ 39,468,277</u>	<u>\$ 19,619,007</u>	<u>\$ 59,087,284</u>

During current year, the District levied an ad valorem debt service tax rate of \$0.6821 per \$100 of assessed valuation, which resulted in a tax levy of \$3,225,870 on the adjusted taxable valuation of \$472,750,663 for the 2017 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy. 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.



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2018**

**NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**

The bond orders state that the Board may place money in any fund created by the bond order in time or demand deposits or invest such monies as authorized by law at the time of deposit. Interest earnings derived from the investment of proceeds from the sale of bonds shall be used along with other bond proceeds for the purpose for which bonds are issued after completion of such purpose. If any of such interest earnings remain on hand, such interest earnings shall be deposited in the Debt Service Fund.

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

The bond orders state, so long as any of the bonds or the additional bonds remain outstanding, the District covenants that it will, at all times, maintain the system or within the limits of its authority cause the same to be maintained, in good condition and working order and will operate the same, or cause the same to be operated, in an efficient and economical manner at a reasonable cost and in accordance with sound management principles. In operating and maintaining the system, the District will comply with all contractual provisions and agreements entered into by it and with all valid rules, regulations, directions or orders of any governmental, administrative or judicial body having jurisdiction over the District. The bond orders state that the District will maintain insurance in the system of a kind and in an amount, which usually would be carried by municipal corporations and political subdivisions in Texas engaged in a similar type of business but considering any governmental immunities to which the District may be entitled.

**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 \$9,688,860 and the bank balance was \$9,722,679. The District was not exposed to custodial credit risk at year-end.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at February 28, 2018, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 319,662	\$ 996,716	\$ 1,316,378
DEBT SERVICE FUND	2,931,868	1,715,304	4,647,172
CAPITAL PROJECTS FUND	<u>3,725,310</u>	<u>                    </u>	<u>3,725,310</u>
TOTAL DEPOSITS	<u>\$ 6,976,840</u>	<u>\$ 2,712,020</u>	<u>\$ 9,688,860</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 its portfolio assets at amortized cost for financial reporting purposes. The District measures its investments in LOGIC and certificates of deposit at amortized cost. There are no limitations or restrictions on withdrawals from LOGIC.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

As of February 28, 2018, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years	
		Less Than 1	1-5
<u>GENERAL FUND</u>			
LOGIC	\$ 508,551	\$ 508,551	\$
Certificates of Deposit	996,716	500,000	496,716
<u>DEBT SERVICE FUND</u>			
LOGIC	67,299	67,299	
Certificates of Deposit	1,715,304	674,817	1,040,487
<u>CAPITAL PROJECTS FUND</u>			
Money Market Mutual Fund	409,526	409,526	
<b>TOTAL INVESTMENTS</b>	<u><u>\$ 3,697,396</u></u>	<u><u>\$ 2,160,193</u></u>	<u><u>\$ 1,537,203</u></u>

Credit risk is the risk that the issuer or other counter party to an investment will not fulfill its obligation. As of February 28, 2018, the District's investment in LOGIC was rated AAAM by Standard and Poor's. The District manages credit risk by investing in certificates of deposit with balances that are covered by either the FDIC or pledged securities.

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

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.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2018**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended February 28, 2018 is as follows:

	March 1, 2017*	Increases	Decreases	February 28, 2018
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 915,680	\$	\$	\$ 915,680
Construction in Progress	<u>448,797</u>	<u>5,667,152</u>	<u>3,179,364</u>	<u>2,936,585</u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 1,364,477</u>	<u>\$ 5,667,152</u>	<u>\$ 3,179,364</u>	<u>\$ 3,852,265</u>
<b>Capital Assets Subject to Depreciation</b>				
Roads	\$ 14,700,500	\$ 2,117,035	\$	\$ 16,817,535
Water System	8,508,332	410,679		8,919,011
Wastewater System	6,375,721	296,364		6,672,085
Drainage System	4,566,338	355,286		4,921,624
Wastewater Service Fee-Town of Little Elm	1,202,995			1,202,995
Certificate of Convenience and Necessity	<u>180,227</u>			<u>180,227</u>
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 35,534,113</u>	<u>\$ 3,179,364</u>	<u>\$ -0-</u>	<u>\$ 38,713,477</u>
<b>Less Accumulated Depreciation</b>				
Roads	\$ 2,154,241	\$ 339,412	\$	\$ 2,493,653
Water System	1,558,616	213,601		1,772,217
Wastewater System	873,069	149,058		1,022,127
Drainage System	580,430	103,843		684,273
Wastewater Service Fee-Town of Little Elm	412,968	32,453		445,421
Certificate of Convenience and Necessity	<u>42,211</u>	<u>4,506</u>		<u>46,717</u>
<b>Total Accumulated Depreciation</b>	<u>\$ 5,621,535</u>	<u>\$ 842,873</u>	<u>\$ -0-</u>	<u>\$ 6,464,408</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 29,912,578</u>	<u>\$ 2,336,491</u>	<u>\$ -0-</u>	<u>\$ 32,249,069</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 31,277,055</u>	<u>\$ 8,003,643</u>	<u>\$ 3,179,364</u>	<u>\$ 36,101,334</u>

\* As Adjusted, See Note 15

**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 current year, the District levied an ad valorem maintenance tax rate of \$0.1792 per \$100 of assessed valuation, which resulted in a tax levy of \$847,494 on the adjusted taxable valuation of \$472,750,663 for the 2017 tax year.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2018**

**NOTE 8. SEWER TREATMENT AGREEMENT**

On March 13, 2003, the District approved the Assignment, Assumption, Release and Restatement of Sanitary Sewer Extension and Wholesale Waste Water Collection Service Agreement between the District, Denton Fresh Water Supply District No. 8-B (“District No. 8-B”) and the Town of Little Elm (“Little Elm”). This agreement restated the original agreement entered into between District No. 8-B and Little Elm prior to the division of District No. 8-B into two districts. The agreement releases District No. 8-B from all rights and obligations of the original agreement and assigns them to the District.

In accordance with the agreement, the District was responsible for extending Little Elm’s sewer system in order for the District’s sewage to be transported to Little Elm. As part of the extension project, the District installed a master meter in order to determine actual flow of sewage. Upon completion of the extension project, the constructed facilities were dedicated to Little Elm and thereafter will be owned and maintained by Little Elm at its sole expense. As further consideration for the right to connect to and use Little Elm’s wastewater treatment plant and wastewater collection system, the District paid Little Elm \$750,000.

On January 20, 2004, the District and Little Elm entered into Option Agreement No. 1, whereby, the District added land and needed Little Elm to provide wastewater service for an estimated 600 additional residential units. In accordance with the option agreement, the District and Little Elm agreed to amend the service agreement to provide for an additional extension to the sewer system and service to the added land. The total fee for the additional capacity to service the estimated 600 residential units will be \$500,000. The District paid Little Elm, after receipt of the money from the Developer, \$100,000 upon execution of the option agreement and paid Little Elm \$250,000 upon the execution of the amendment to the service agreement. Amendment No. 1 was effective on May 17, 2006, and amended on October 21, 2009, and on March 28, 2011. In accordance with the Second Amendment to Amendment No. 1 of the service agreement, the District agreed to pay Little Elm \$150,000 on or before December 31, 2011. Under the amendment, the District will pay Little Elm impact fees of \$1,200 per residential unit.

Effective March 20, 2012, the Frisco Hills, Frisco Ranch and the Preserve Development Agreement, Interlocal Agreement, and Compromise and Settlement Agreement, as Revised for 2012 (Revised Agreement) was entered into by the District, Little Elm and the developers within the District. In accordance with the provisions of this agreement, the Second Amendment to Amendment No. 1 of the service agreement was cancelled and Little Elm and the District acknowledged that the \$150,000 payment due on December 31, 2011, need not be paid to Little Elm and that such obligation will be considered fully satisfied by the District in light of the other terms and considerations set forth in the Revised Agreement.

On May 17, 2006, the District and Little Elm entered into Option Agreement No. 2, whereby, the District will be adding land and will need Little Elm to provide wastewater service for an estimated 750 additional residential units. The total fee for the additional capacity to service the estimated 750 residential units will be \$500,000. The District paid Little Elm, after receipt of the money from the Developer, \$100,000 upon execution of this option agreement.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2018**

**NOTE 8. SEWER TREATMENT AGREEMENT (Continued)**

The District will pay Little Elm \$250,000 upon the execution of the amendment to the service agreement and will pay \$150,000 on or before the third anniversary of the execution of the amended service agreement. The \$100,000 option payment is non-refundable under any circumstance. Amendment No. 2 became effective December 3, 2008, and provided for impact fees to be paid to Little Elm of \$1,200 per residential unit. Little Elm will bill the District quarterly for sewer service. Little Elm will read the master meter and calculate its billing according to the City Ordinances.

The District established a deposit fund (“Sewer Fund”) and deposited into the sewer fund an amount equal to four quarterly payments for sewer service, as estimated by the District and Little Elm. The District will maintain at all times an amount in the sewer fund equal to the last four quarterly payments (“minimum balance”) owed to Little Elm, and shall be authorized to withdraw only the amount that exceeds the minimum balance. As of February 28, 2018, the District has restricted \$196,716 of its General Fund fund balance to meet this requirement. As collateral security for the prompt payment and performance in full of the District’s obligation to make quarterly payments, the District will grant to Little Elm a lien and security interest in and to the sewer fund. If the District fails to make a payment on a quarterly bill within 30 days of receipt of the amount owed, Little Elm will be authorized to withdraw the amount owed from the sewer fund and shall immediately notify the District of such withdrawal. The District will have 10 days to deposit into the sewer fund the amount withdrawn by Little Elm. The failure of the District to maintain less than the minimum balance shall be considered a default of the agreement. During the current fiscal year, the District paid Little Elm \$459,467 for wastewater service in connection with this agreement.

**NOTE 9. PEACE OFFICER SERVICES AGREEMENT**

On November 17, 2010, the District entered an Interlocal Cooperation Agreement for Peace Officer Services with Little Elm, effective November 1, 2010. On February 10, 2016, the Agreement was amended to extend the term through March 31, 2021. Under this agreement, Little Elm has agreed to provide certain patrol and law enforcement services to the District. The agreement will renew annually until terminated by either party. Beginning April 1, 2016, the District is required to make quarterly payments of \$48,347.50 toward the agreed-upon annual fee of \$193,390. During the current fiscal year, the District paid \$193,390 in relation to this agreement, which included \$16,116, which was recorded as a prepaid for March 2018 patrol services.

**NOTE 10. UNREIMBURSED DEVELOPER COSTS**

The District has entered into various agreements which call for Developers within the District to fund costs associated with water, sewer, drainage and road facilities, as well as operating advances, until such time as the District can sell bonds. As reflected in the Statement of Net Position, \$2,898,019 has been recorded as a liability for completed facilities financed by Developers which the District now operates and maintains and for operating advances. It is anticipated that reimbursement to the Developers will come from future bond sales.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2018**

**NOTE 11. 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 and there have been no settlements of claims exceeding coverage in the prior three years.

**NOTE 12. WATER SUPPLY AGREEMENT**

On December 3, 2008, the District entered into a Wholesale Water Supply Agreement (Agreement) with the Town of Little Elm, Texas. Pursuant to the Agreement, Little Elm will provide to the District wholesale treated water from Little Elm's water supply system. In exchange for the water provided to the District, the District will pay Little Elm a take or pay amount equivalent to 50% of the projected annual treated water volume utilized by the District as determined by the District's previous year usage amount. This initial take or pay amount for the first year of service under the Agreement will be \$1,200 per month, based upon an anticipated minimum use of 500,000 gallons per month at a rate of \$2.40 per 1,000 gallons. The District is required to pay for the take or pay amount regardless of whether the District uses the water. If the District's water usage exceeds the take or pay amount for any given month, the water will be billed at \$2.40 per 1,000 gallons. Each year the take or pay amount will be recalculated based on the previous year's actual water usage. In addition, each District connection receiving water from Little Elm will pay a \$750 connection fee. The term of this agreement is 30 years from the effective date. As of February 28, 2018, the current rate being billed per 1,000 gallons of usage is \$3.35. During the current fiscal year, the District recorded expenditures of \$295,556 for purchased water.

**NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT**

Effective January 20, 2009, the District entered into a Strategic Partnership Agreement with the Town of Little Elm, Texas (the "Town"). The agreement provides that Little Elm may annex a tract of land within the District defined as the Limited Purpose Annexation Area ("Area") for the limited purposes of collecting revenues from the sales and use tax authorized to be imposed by Little Elm on sales consummated at locations within the Area pursuant to the Act and Chapter 321 of the Texas Tax Code (currently at a rate of one percent).

On December 19, 2017, the agreement was amended to allow for the limited purpose annexation of a certain tract of land, which contains a portion Woodlake Parkway, between FM 423 and Horizon Lane. Prior to the annexation, the road must be brought up to acceptable standards, which the District has agreed to fund a portion of the repairs. The total project cost is estimated at \$160,000, of which the estimated District contribution to the project is \$81,841. The actual repair cost may differ from estimates, and the District will be obligated to pay the Town based upon actual documented costs of repair.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2018**

**NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT (Continued)**

For a period of ten years from the effective Date, Little Elm shall pay to the District an amount equal to 50% of the Sales and Use Tax revenues paid to Little Elm from businesses operating within the Limited Purpose Property (“District Share”) as reflected in sales tax reports provided by the Comptroller to Little Elm. Little Elm shall pay to the District the District Share at the end of each quarter (i.e., March 31, June 30, September 30 and December 31) in which Little Elm receives payment of the Sales and Use Tax revenues from the Comptroller. Any payment of the District Share not made within 90 days of the end of the quarter in which the payment is due shall bear interest calculated in accordance with Section 2251.025 of the Texas Government Code. Little Elm shall retain the remaining 50% of the Sales and Use Tax revenues from within the Limited Purpose Property (“Town Share”) for a period of ten years from the Effective Date. Beginning on the tenth anniversary of the Effective Date, Little Elm shall collect and retain 100% of the Sales and Use Tax revenues paid to Little Elm from business operating within the Limited Purpose Property and shall not be obligated to pay to the District any portion or share of the Sales and Use Tax collected. During the current fiscal year, the District received \$16,391 in relation to this agreement.

**NOTE 14. BOND ANTICIPATION NOTE AND PENDING BOND APPLICATION**

On February 7, 2018, the District sold its Series 2017 Bond Anticipation Note (the “BAN”) in the principal amount of \$1,805,000 at 2.29%. Proceeds of the BAN were used by the District to reimburse the Developers for the following: water, wastewater and drainage to serve Frisco Hills, Phases 2A and 2B and 5A and 5B, Frisco Hills Lift Station and Force Main. Additional proceeds were used to pay for construction costs related to a 14” Force Main, as well as issuance costs of the BAN.

On June 7, 2018, subsequent to year-end, the District received approval for the issuance of its Series 2018 Unlimited Tax Utility Bonds in the amount of \$2,770,000. The District will use the proceeds to finance the remaining costs associated with water, wastewater and drainage to serve Frisco Hills, Phases 2A and 2B and 5A and 5B, Frisco Hills Lift Station and Force Main. Additional proceeds will be used to pay for construction costs related to a 14” Force Main, retire the Series 2017 BAN, and pay issuance costs of the bonds.

**NOTE 15. PRIOR PERIOD ADJUSTMENT**

During the current fiscal year, it was determined that the useful lives of road facilities should be extended from 30 years to 45 years. The effect of the change is as follows:

Net Position - March 1, 2017	\$ (2,546,649)
Effect of Adjustment	488,543
Net Position - March 1, 2017, As Adjusted	<u>\$ (2,058,106)</u>



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**

**REQUIRED SUPPLEMENTARY INFORMATION**

**FEBRUARY 28, 2018**



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED FEBRUARY 28, 2018**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 704,790	\$ 697,525	\$ 833,516	\$ 135,991
Water Service	783,149	775,467	731,350	(44,117)
Wastewater Service	603,419	553,861	593,134	39,273
Solid Waste Revenues	235,667	219,170	238,453	19,283
Penalty and Interest	32,400	32,400	38,187	5,787
Permit Fees	81,000	50,400	50,200	(200)
Investment Revenues	6,000	6,000	21,495	15,495
Sales Tax Receipts	17,000	20,000	16,391	(3,609)
Miscellaneous Revenues	79,200	39,515	49,692	10,177
<b>TOTAL REVENUES</b>	<u>\$ 2,542,625</u>	<u>\$ 2,394,338</u>	<u>\$ 2,572,418</u>	<u>\$ 178,080</u>
<b>EXPENDITURES</b>				
Services Operations:				
Professional Fees	\$ 179,100	\$ 180,100	\$ 195,984	\$ (15,884)
Contracted Services	613,898	676,682	655,108	21,574
Purchased Water Service	275,232	280,386	295,556	(15,170)
Purchased Wastewater Service	785,492	472,339	459,467	12,872
Utilities	74,100	74,100	79,820	(5,720)
Repairs and Maintenance	170,100	170,100	248,602	(78,502)
Other	34,760	34,340	55,843	(21,503)
Capital Outlay			25,270	(25,270)
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,132,682</u>	<u>\$ 1,888,047</u>	<u>\$ 2,015,650</u>	<u>\$ (127,603)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 409,943	\$ 506,291	\$ 556,768	\$ 50,477
<b>FUND BALANCE - MARCH 1, 2017</b>	<u>2,207,284</u>	<u>2,207,284</u>	<u>2,207,284</u>	
<b>FUND BALANCE - FEBRUARY 28, 2018</b>	<u>\$ 2,617,227</u>	<u>\$ 2,713,575</u>	<u>\$ 2,764,052</u>	<u>\$ 50,477</u>

See accompanying independent auditor's report.

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**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**

**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**FEBRUARY 28, 2018**



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED FEBRUARY 28, 2018**

**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>      </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 August 20, 2015.

	<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:	\$ 14.00	-0-	N	\$ 3.00	0,001 and up
WASTEWATER:	\$ 30.00		Y		
<b>SURCHARGE:</b>					
Solid Waste/Garbage	\$12.75 per residential connection				
Commission Regulatory Assessment	0.5% of actual water and sewer bill				

District employs winter averaging for wastewater usage?        Yes   X   No

Total monthly charges per 10,000 gallons usage: Water: \$44.00 Wastewater: \$30.00 Surcharge: \$ 13.12

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED FEBRUARY 28, 2018**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	1,684	1,684	x 1.0	1,684
1"	3	3	x 2.5	8
1½"	2	2	x 5.0	10
2"	14	14	x 8.0	112
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>1,703</u>	<u>1,703</u>		<u>1,814</u>
Total Wastewater Connections	<u>1,683</u>	<u>1,683</u>	x 1.0	<u>1,683</u>

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

Gallons pumped into system:	84,065,000	Water Accountability Ratio: 94.3% (Gallons billed/Gallons pumped and purchased)
Gallons billed to customers:	165,029,000	
Gallons purchased:	90,937,000	From: <u>Town of Little Elm, Texas</u>

See accompanying independent auditor's report.



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED FEBRUARY 28, 2018**

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

Does the District have Debt Service standby fees? Yes \_\_\_ No X

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes X No \_\_\_\_\_

County in which District is located:

Denton County, Texas

Is the District located within a city?

Entirely \_\_\_\_\_ Partly \_\_\_\_\_ Not at all X

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

Entirely X Partly \_\_\_\_\_ Not at all \_\_\_\_\_

ETJ in which the District is located:

Town of Little Elm, Texas

Are Board Members appointed by an office outside the District?

Yes \_\_\_\_\_ No X

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED FEBRUARY 28, 2018**

PROFESSIONAL FEES:	
Auditing	\$ 17,250
Engineering	44,968
Legal	<u>133,766</u>
TOTAL PROFESSIONAL FEES	<u>\$ 195,984</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 295,556
Purchased Wastewater Service	<u>459,467</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 755,023</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 4,989
Bookkeeping	23,483
Operations and Billing	243,797
Security	177,274
Tax Collector	<u>325</u>
TOTAL CONTRACTED SERVICES	<u>\$ 449,868</u>
UTILITIES - Electricity	<u>\$ 79,820</u>
REPAIRS AND MAINTENANCE	<u>\$ 248,602</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 9,600
Insurance	12,165
Office Supplies and Postage	7,985
Payroll Taxes	734
Travel and Meetings	922
Other	<u>10,904</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 42,310</u>
CAPITAL OUTLAY	<u>\$ 25,270</u>
TAP CONNECTIONS	<u>\$ 2,750</u>
SOLID WASTE DISPOSAL	<u>\$ 205,240</u>
OTHER EXPENDITURES:	
Permit Fees	\$ 3,984
Regulatory Assessment	<u>6,799</u>
TOTAL OTHER EXPENDITURES	<u>\$ 10,783</u>
TOTAL EXPENDITURES	<u><u>\$ 2,015,650</u></u>

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**INVESTMENTS**  
**FEBRUARY 28, 2018**

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	XXXX4001	Varies	Daily	\$ 508,551	\$
Certificate of Deposit	XXXX5074	1.25%	12/21/18	500,000	1,182
Certificate of Deposit	XXXX0756	0.50%	03/24/19	196,716	1,902
Certificate of Deposit	XXXX6588	1.00%	05/25/19	<u>300,000</u>	<u>5,293</u>
TOTAL GENERAL FUND				<u>\$ 1,505,267</u>	<u>\$ 8,377</u>
<u>DEBT SERVICE FUND</u>					
LOGIC	XXXX4002	Varies	Daily	\$ 67,299	\$
Certificate of Deposit	XXXX4008	1.15%	02/01/19	247,500	2,846
Certificate of Deposit	XXXX2041	0.60%	04/09/18	30,362	182
Certificate of Deposit	XXXX2043	0.60%	04/09/18	40,482	243
Certificate of Deposit	XXXX7021	0.90%	04/14/19	110,000	868
Certificate of Deposit	XXXX7022	0.90%	04/14/19	97,500	769
Certificate of Deposit	XXXX7023	0.90%	04/14/19	92,500	730
Certificate of Deposit	XXXX1869	1.19%	04/12/19	245,305	2,885
Certificate of Deposit	XXXX2354	0.60%	05/24/19	165,734	988
Certificate of Deposit	XXXX2355	0.60%	05/24/19	119,248	711
Certificate of Deposit	XXXX2356	0.60%	05/24/19	154,618	922
Certificate of Deposit	XXXX0600	0.55%	04/05/18	356,473	
Certificate of Deposit	XXXX2353	0.60%	05/24/19	<u>55,582</u>	<u>332</u>
TOTAL DEBT SERVICE FUND				<u>\$ 1,782,603</u>	<u>\$ 11,476</u>
<u>CAPITAL PROJECTS FUND</u>					
Money Market Mutual Fund	XXXX8071	Varies	Daily	<u>\$ 409,526</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u>\$ 3,697,396</u>	<u>\$ 19,853</u>

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED FEBRUARY 28, 2018**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
MARCH 1, 2017	\$	24,410		\$ 82,620
Adjustments to Beginning				
Balance		<u>(574)</u>	\$ 23,836	<u>(2,185)</u> \$ 80,435
Original 2017 Tax Levy	\$	846,367		\$ 3,221,579
Adjustment to 2017 Tax Levy		<u>1,127</u>	<u>847,494</u>	<u>4,291</u> <u>3,225,870</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 871,330		\$ 3,306,305
TAX COLLECTIONS:				
Prior Years	\$	13,872		\$ 52,728
Current Year		<u>819,644</u>	<u>833,516</u>	<u>3,119,861</u> <u>3,172,589</u>
TAXES RECEIVABLE -				
FEBRUARY 28, 2018		<u>\$ 37,814</u>		<u>\$ 133,716</u>
TAXES RECEIVABLE BY				
YEAR:				
2017		\$ 27,850		\$ 106,009
2016		770		2,928
2015		788		2,995
2014		1,036		2,977
2013		1,071		2,941
2012		1,204		2,809
2011		1,365		3,184
2010		1,204		2,809
2009		1,204		2,809
2008		1,039		3,120
2007		<u>283</u>		<u>1,135</u>
TOTAL		<u>\$ 37,814</u>		<u>\$ 133,716</u>

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED FEBRUARY 28, 2018**

	2017	2016	2015	2014
PROPERTY VALUATIONS:				
Land	\$ 139,507,795	\$ 122,547,597	\$ 92,226,268	\$ 72,228,197
Improvements	344,779,682	280,393,005	205,309,193	152,334,171
Personal Property	2,353,044	2,040,373	1,643,390	1,444,743
Exemptions	<u>(13,889,858)</u>	<u>(13,211,253)</u>	<u>(6,582,157)</u>	<u>(4,588,553)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 472,750,663</u>	<u>\$ 391,769,722</u>	<u>\$ 292,596,694</u>	<u>\$ 221,418,558</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.6821	\$ 0.7106	\$ 0.7463	\$ 0.7419
Maintenance	<u>0.1792</u>	<u>0.1868</u>	<u>0.1963</u>	<u>0.2581</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.8613</u>	<u>\$ 0.8974</u>	<u>\$ 0.9426</u>	<u>\$ 1.0000</u>
ADJUSTED TAX LEVY*	<u>\$ 4,073,364</u>	<u>\$ 3,515,742</u>	<u>\$ 2,758,319</u>	<u>\$ 2,214,820</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>96.71 %</u>	<u>99.89 %</u>	<u>99.86 %</u>	<u>99.82 %</u>

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

Maintenance Tax – Maximum tax rate in an unlimited amount per \$100 assessed valuation approved by voters on May 3, 2003.

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**FEBRUARY 28, 2018**

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

Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 160,000	\$ 28,712	\$ 188,712
2020		22,312	22,312
2021		22,312	22,312
2022		22,312	22,312
2023		22,313	22,313
2024		22,313	22,313
2025		22,313	22,313
2026		22,313	22,313
2027		22,313	22,313
2028	255,000	22,313	277,313
2029	270,000	11,476	281,476
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
	<u>\$ 685,000</u>	<u>\$ 241,002</u>	<u>\$ 926,002</u>

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**FEBRUARY 28, 2018**

S E R I E S - 2 0 1 2 U T I L I T Y

Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 30,000	\$ 114,850	\$ 144,850
2020	30,000	113,875	143,875
2021	30,000	112,900	142,900
2022	30,000	111,925	141,925
2023	30,000	110,950	140,950
2024	30,000	109,975	139,975
2025	30,000	109,000	139,000
2026	30,000	107,988	137,988
2027	30,000	106,937	136,937
2028	415,000	105,888	520,888
2029	435,000	90,325	525,325
2030	455,000	74,012	529,012
2031	480,000	56,950	536,950
2032	500,000	38,950	538,950
2033	525,000	19,950	544,950
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
	<u>\$ 3,080,000</u>	<u>\$ 1,384,475</u>	<u>\$ 4,464,475</u>

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**FEBRUARY 28, 2018**

S E R I E S - 2 0 1 3 R O A D

Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 40,000	\$ 112,000	\$ 152,000
2020	45,000	110,800	155,800
2021	40,000	109,000	149,000
2022	35,000	107,400	142,400
2023	30,000	106,000	136,000
2024	30,000	104,800	134,800
2025	30,000	103,600	133,600
2026	30,000	102,400	132,400
2027	30,000	101,200	131,200
2028	45,000	100,000	145,000
2029	40,000	98,200	138,200
2030	225,000	96,600	321,600
2031	235,000	87,600	322,600
2032	250,000	78,200	328,200
2033	570,000	68,200	638,200
2034	1,135,000	45,400	1,180,400
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
	<u>\$ 2,810,000</u>	<u>\$ 1,531,400</u>	<u>\$ 4,341,400</u>

See accompanying independent auditor's report.



**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**FEBRUARY 28, 2018**

S E R I E S - 2 0 1 3 A R O A D

Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 40,000	\$ 133,470	\$ 173,470
2020	40,000	132,270	172,270
2021	40,000	130,970	170,970
2022	40,000	129,570	169,570
2023	45,000	128,070	173,070
2024	40,000	126,383	166,383
2025	35,000	124,722	159,722
2026	35,000	123,270	158,270
2027	30,000	121,817	151,817
2028	35,000	120,573	155,573
2029	35,000	119,120	154,120
2030	130,000	117,544	247,544
2031	140,000	111,695	251,695
2032	145,000	105,394	250,394
2033	150,000	98,508	248,508
2034	160,000	91,383	251,383
2035	850,000	83,783	933,783
2036	895,000	43,408	938,408
2037			
2038			
2039			
2040			
2041			
2042			
	<u>\$ 2,885,000</u>	<u>\$ 2,041,950</u>	<u>\$ 4,926,950</u>

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**FEBRUARY 28, 2018**

SERIES - 2014 A UTILITY REFUNDING

<u>Due During Fiscal Years Ending February 28/29</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1/ September 1</u>	<u>Total</u>
2019	\$ 250,000	\$ 73,500	\$ 323,500
2020	260,000	68,500	328,500
2021	270,000	63,300	333,300
2022	285,000	57,900	342,900
2023	295,000	49,350	344,350
2024	315,000	40,500	355,500
2025	330,000	31,050	361,050
2026	345,000	21,150	366,150
2027	360,000	10,800	370,800
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
	<u>\$ 2,710,000</u>	<u>\$ 416,050</u>	<u>\$ 3,126,050</u>

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**FEBRUARY 28, 2018**

SERIES - 2014 B ROAD REFUNDING

Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 2,198	\$ 342,452	\$ 344,650
2020	1,079	503,571	504,650
2021	385,000	124,650	509,650
2022	395,000	113,100	508,100
2023	410,000	101,250	511,250
2024	425,000	88,950	513,950
2025	440,000	76,200	516,200
2026	450,000	63,000	513,000
2027	470,000	49,500	519,500
2028	225,000	35,400	260,400
2029	230,000	28,650	258,650
2030	235,000	21,750	256,750
2031	240,000	14,700	254,700
2032	240,000	7,500	247,500
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
	<u>\$ 4,148,277</u>	<u>\$ 1,570,673</u>	<u>\$ 5,718,950</u>

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**FEBRUARY 28, 2018**

S E R I E S - 2 0 1 5 U T I L I T Y

Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 90,000	\$ 182,100	\$ 272,100
2020	90,000	180,300	270,300
2021	90,000	178,500	268,500
2022	95,000	176,700	271,700
2023	95,000	174,563	269,563
2024	95,000	172,187	267,187
2025	95,000	169,813	264,813
2026	100,000	166,962	266,962
2027	105,000	163,963	268,963
2028	80,000	160,681	240,681
2029	85,000	158,182	243,182
2030	90,000	155,525	245,525
2031	85,000	152,712	237,712
2032	90,000	149,950	239,950
2033	25,000	147,025	172,025
2034	25,000	146,212	171,212
2035	525,000	145,400	670,400
2036	540,000	127,682	667,682
2037	715,000	109,456	824,456
2038	740,000	85,325	825,325
2039	765,000	58,500	823,500
2040	795,000	29,812	824,812
2041			
2042			
	<u>\$ 5,415,000</u>	<u>\$ 3,191,550</u>	<u>\$ 8,606,550</u>

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**FEBRUARY 28, 2018**

SERIES - 2015 ROAD

Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 120,000	\$ 131,144	\$ 251,144
2020	125,000	128,744	253,744
2021	125,000	126,244	251,244
2022	130,000	123,744	253,744
2023	135,000	120,494	255,494
2024	140,000	117,119	257,119
2025	145,000	113,619	258,619
2026	150,000	109,631	259,631
2027	155,000	105,131	260,131
2028	160,000	100,481	260,481
2029	165,000	95,681	260,681
2030	175,000	90,731	265,731
2031	180,000	85,481	265,481
2032	190,000	80,081	270,081
2033	195,000	74,144	269,144
2034	205,000	68,050	273,050
2035	210,000	61,387	271,387
2036	220,000	54,563	274,563
2037	230,000	47,137	277,137
2038	240,000	39,375	279,375
2039	250,000	30,375	280,375
2040	255,000	21,000	276,000
2041	270,000	10,800	280,800
2042			
	<u>\$ 4,170,000</u>	<u>\$ 1,935,156</u>	<u>\$ 6,105,156</u>

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**FEBRUARY 28, 2018**

SERIES - 2016 UTILITY

Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 95,000	\$ 170,250	\$ 265,250
2020	105,000	168,350	273,350
2021	110,000	166,250	276,250
2022	115,000	164,050	279,050
2023	125,000	161,750	286,750
2024	130,000	159,250	289,250
2025	135,000	156,650	291,650
2026	140,000	153,950	293,950
2027	145,000	151,150	296,150
2028	155,000	148,250	303,250
2029	155,000	145,150	300,150
2030	155,000	142,050	297,050
2031	160,000	138,562	298,562
2032	165,000	134,963	299,963
2033	170,000	130,837	300,837
2034	175,000	126,588	301,588
2035	180,000	121,775	301,775
2036	185,000	116,825	301,825
2037	305,000	111,738	416,738
2038	300,000	103,350	403,350
2039	300,000	94,350	394,350
2040	300,000	85,350	385,350
2041	1,120,000	76,350	1,196,350
2042	1,425,000	42,750	1,467,750
	<u>\$ 6,350,000</u>	<u>\$ 3,170,538</u>	<u>\$ 9,520,538</u>

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**FEBRUARY 28, 2018**

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

Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 95,000	\$ 231,638	\$ 326,638
2020	95,000	226,887	321,887
2021	100,000	222,138	322,138
2022	100,000	217,137	317,137
2023	100,000	212,138	312,138
2024	100,000	207,137	307,137
2025	105,000	202,138	307,138
2026	105,000	196,888	301,888
2027	105,000	194,787	299,787
2028	105,000	192,425	297,425
2029	110,000	189,800	299,800
2030	110,000	187,050	297,050
2031	110,000	184,025	294,025
2032	110,000	181,000	291,000
2033	115,000	177,700	292,700
2034	115,000	174,250	289,250
2035	120,000	170,800	290,800
2036	120,000	167,200	287,200
2037	790,000	163,600	953,600
2038	825,000	139,900	964,900
2039	860,000	115,150	975,150
2040	900,000	89,350	989,350
2041	940,000	61,225	1,001,225
2042	980,000	31,850	1,011,850
	<u>\$ 7,215,000</u>	<u>\$ 4,136,213</u>	<u>\$ 11,351,213</u>

See accompanying independent auditor's report.

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**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**FEBRUARY 28, 2018**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending February 28/29	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 922,198	\$ 1,520,116	\$ 2,442,314
2020	791,079	1,655,609	2,446,688
2021	1,190,000	1,256,264	2,446,264
2022	1,225,000	1,223,838	2,448,838
2023	1,265,000	1,186,878	2,451,878
2024	1,305,000	1,148,614	2,453,614
2025	1,345,000	1,109,105	2,454,105
2026	1,385,000	1,067,552	2,452,552
2027	1,430,000	1,027,598	2,457,598
2028	1,475,000	986,011	2,461,011
2029	1,525,000	936,584	2,461,584
2030	1,575,000	885,262	2,460,262
2031	1,630,000	831,725	2,461,725
2032	1,690,000	776,038	2,466,038
2033	1,750,000	716,364	2,466,364
2034	1,815,000	651,883	2,466,883
2035	1,885,000	583,145	2,468,145
2036	1,960,000	509,678	2,469,678
2037	2,040,000	431,931	2,471,931
2038	2,105,000	367,950	2,472,950
2039	2,175,000	298,375	2,473,375
2040	2,250,000	225,512	2,475,512
2041	2,330,000	148,375	2,478,375
2042	2,405,000	74,600	2,479,600
	<u>\$ 39,468,277</u>	<u>\$ 19,619,007</u>	<u>\$ 59,087,284</u>

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED FEBRUARY 28, 2018**

Description	Original Bonds Issued	Bonds Outstanding March 1, 2017
Denton County Fresh Water Supply District No. 8-C Unlimited Tax Road Bonds - Series 2006	\$ 3,500,000	\$ 835,000
Denton County Fresh Water Supply District No. 8-C Unlimited Tax Road Bonds - Series 2008	3,500,000	115,000
Denton County Fresh Water Supply District No. 8-C Unlimited Tax Utility Bonds - Series 2012	3,200,000	3,110,000
Denton County Fresh Water Supply District No. 8-C Unlimited Tax Road Bonds - Series 2013	3,000,000	2,860,000
Denton County Fresh Water Supply District No. 8-C Unlimited Tax Road Bonds - Series 2013A	3,000,000	2,925,000
Denton County Fresh Water Supply District No. 8-C Unlimited Tax Utility Refunding Bonds - Series 2014A	3,240,000	2,950,000
Denton County Fresh Water Supply District No. 8-C Unlimited Tax Road Refunding Bonds - Series 2014B	4,379,985	4,238,277
Denton County Fresh Water Supply District No. 8-C Unlimited Tax Utility Bonds - Series 2015	5,500,000	5,500,000
Denton County Fresh Water Supply District No. 8-C Unlimited Tax Road Bonds - Series 2015	4,415,000	4,290,000
Denton County Fresh Water Supply District No. 8-C Unlimited Tax Utility Bonds - Series 2016	6,455,000	6,455,000
Denton County Fresh Water Supply District No. 8-C Unlimited Tax Road Bonds - Series 2016	<u>7,215,000</u>	<u>7,215,000</u>
<b>TOTAL</b>	<u>\$ 47,404,985</u>	<u>\$ 40,493,277</u>

See accompanying independent auditor's report.

Current Year Transactions				Bonds Outstanding February 28, 2018	Paying Agent
Bonds Sold	Retirements				
	Principal	Interest			
\$	\$ 150,000	\$ 34,712	\$ 685,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	115,000	8,050	- 0 -	Wells Fargo Bank, N.A. Dallas, TX	
	30,000	115,825	3,080,000	Wells Fargo Bank, N.A. Dallas, TX	
	50,000	113,000	2,810,000	Wells Fargo Bank, N.A. Dallas, TX	
	40,000	134,670	2,885,000	Wells Fargo Bank, N.A. Dallas, TX	
	240,000	78,300	2,710,000	Wells Fargo Bank, N.A. Dallas, TX	
	90,000	127,350	4,148,277	Wells Fargo Bank, N.A. Dallas, TX	
	85,000	183,800	5,415,000	Wells Fargo Bank, N.A. Minneapolis, MN	
	120,000	133,544	4,170,000	Wells Fargo Bank, N.A. Minneapolis, MN	
	105,000	165,648	6,350,000	Wells Fargo Bank, N.A. Minneapolis, MN	
		289,547	7,215,000	Wells Fargo Bank, N.A. Minneapolis, MN	
<u>\$ - 0 -</u>	<u>\$ 1,025,000</u>	<u>\$ 1,384,446</u>	<u>\$ 39,468,277</u>		

See accompanying independent auditor's report.

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**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED FEBRUARY 28, 2018**

Bond Authority:	<u>Tax Bonds*</u>	<u>Road Bonds</u>	<u>Refunding Bonds**</u>
Amount Authorized by Voters	\$ 58,710,000	\$ 43,700,000	\$ 127,140,000
Amount Issued	<u>19,765,000</u>	<u>24,630,000</u>	<u>7,619,985</u>
Remaining to be Issued	<u>\$ 38,945,000</u>	<u>\$ 19,070,000</u>	<u>\$ 119,520,015</u>

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

\*\* Includes Refunding Road Bonds authorized of \$56,810,000.

Debt Service Fund cash, investments and cash with paying agent balances as of February 28, 2018:	<u>\$ 4,929,771</u>
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Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 2,461,970</u>
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See Note 3 for interest rate, interest payment dates and maturity dates.

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND – FIVE YEARS**

	Amounts		
	2018	2017	2016
<b>REVENUES</b>			
Property Taxes	\$ 833,516	\$ 730,472	\$ 581,266
Water Service	731,350	663,197	580,278
Wastewater Service	593,134	527,007	462,482
Solid Waste Revenue	238,453	207,817	182,466
Penalty and Interest	38,187	29,993	37,273
Permit Fees	50,200	94,500	77,850
Investment Revenues	21,495	10,444	7,645
Sales Tax Receipts	16,391	17,023	23,186
Miscellaneous Revenues	49,692	18,033	10,484
<b>TOTAL REVENUES</b>	\$ 2,572,418	\$ 2,298,486	\$ 1,962,930
<b>EXPENDITURES</b>			
Professional Fees	\$ 195,984	\$ 173,138	\$ 189,027
Contracted Services	655,108	631,744	382,922
Purchase Water Service	295,556	205,346	163,529
Purchase Wastewater Service	459,467	359,950	242,203
Utilities	79,820	73,482	78,482
Repairs and Maintenance	248,602	133,543	116,908
Other	55,843	48,114	119,140
Capital Outlay	25,270	41,706	420,381
<b>TOTAL EXPENDITURES</b>	\$ 2,015,650	\$ 1,667,023	\$ 1,712,592
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	\$ 556,768	\$ 631,463	\$ 250,338
<b>OTHER FINANCING SOURCES (USES)</b>			
Contribution from Valencia PID	\$	\$	\$
Transfers In (Out)	_____	42,626	64,869
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	\$ - 0 -	\$ 42,626	\$ 64,869
<b>NET CHANGE IN FUND BALANCE</b>	\$ 556,768	\$ 674,089	\$ 315,207
<b>BEGINNING FUND BALANCE</b>	2,207,284	1,533,195	1,217,988
<b>ENDING FUND BALANCE</b>	\$ 2,764,052	\$ 2,207,284	\$ 1,533,195

See accompanying independent auditor's report.

		Percentage of Total Revenue									
		2018		2017		2016		2015		2014	
\$	577,366	\$	437,382	32.4 %	31.8 %	29.5 %	32.9 %	29.5 %			
	465,874		407,508	28.4	28.9	29.6	26.5	27.6			
	390,522		322,101	23.1	22.9	23.6	22.2	21.8			
	148,197		121,254	9.3	9.0	9.3	8.4	8.2			
	24,837		25,786	1.5	1.3	1.9	1.4	1.7			
	93,150		139,650	2.0	4.1	4.0	5.3	9.4			
	4,097		3,842	0.8	0.5	0.4	0.2	0.3			
	19,582		12,756	0.6	0.7	1.2	1.1	0.9			
	35,128		8,459	1.9	0.8	0.5	2.0	0.6			
\$	<u>1,758,753</u>	\$	<u>1,478,738</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>			
\$	243,361	\$	216,290	7.6 %	7.5 %	9.6 %	13.8 %	14.6 %			
	330,091		295,030	25.5	27.5	19.5	18.8	20.0			
	85,092		43,384	11.5	8.9	8.3	4.8	2.9			
	202,085		178,509	17.9	15.7	12.3	11.5	12.1			
	70,264		73,297	3.1	3.2	4.0	4.0	5.0			
	151,950		113,229	9.7	5.8	6.0	8.6	7.7			
	46,476		80,612	2.2	2.1	6.1	2.6	5.5			
	1,009,082		1,111,625	1.0	1.8	21.4	57.4	75.2			
\$	<u>2,138,401</u>	\$	<u>2,111,976</u>	<u>78.5 %</u>	<u>72.5 %</u>	<u>87.2 %</u>	<u>121.5 %</u>	<u>143.0 %</u>			
\$	<u>(379,648)</u>	\$	<u>(633,238)</u>	<u>21.5 %</u>	<u>27.5 %</u>	<u>12.8 %</u>	<u>(21.5) %</u>	<u>(43.0) %</u>			
\$		\$	937,070								
\$	<u>- 0 -</u>	\$	<u>937,070</u>								
\$	(379,648)	\$	303,832								
	1,597,636		1,293,804								
\$	<u>1,217,988</u>	\$	<u>1,597,636</u>								

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND – FIVE YEARS**

	Amounts		
	2018	2017	2016
<b>REVENUES</b>			
Property Taxes	\$ 2,779,069	\$ 2,181,900	\$ 1,648,881
Penalty and Interest			
Investment Revenues	<u>22,605</u>	<u>13,563</u>	<u>2,913</u>
<b>TOTAL REVENUES</b>	<u>\$ 2,801,674</u>	<u>\$ 2,195,463</u>	<u>\$ 1,651,794</u>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 20,007	\$ 18,004	\$ 14,967
Bond Issuance Costs			
Debt Service Principal	1,025,000	741,708	735,000
Debt Service Interest and Fees	<u>1,392,296</u>	<u>1,113,170</u>	<u>595,277</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,437,303</u>	<u>\$ 1,872,882</u>	<u>\$ 1,345,244</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 364,371</u>	<u>\$ 322,581</u>	<u>\$ 306,550</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refunding Bonds Issued	\$	\$	\$
Payment to Refunded Bond Escrow Agent			
Bond Premium			
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 364,371	\$ 322,581	\$ 306,550
<b>BEGINNING FUND BALANCE</b>	<u>1,422,172</u>	<u>1,099,591</u>	<u>793,041</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 1,786,543</u>	<u>\$ 1,422,172</u>	<u>\$ 1,099,591</u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>1,703</u>	<u>1,590</u>	<u>1,368</u>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>1,683</u>	<u>1,575</u>	<u>1,368</u>

See accompanying independent auditor's report.



		Percentage of Total Revenue				
2015	2014	2018	2017	2016	2015	2014
\$ 1,238,519	\$ 926,458	99.2 %	99.4 %	99.8 %	99.1 %	99.3 %
7,625	4,051				0.6	0.4
4,128	3,017	0.8	0.6	0.2	0.3	0.3
<u>\$ 1,250,272</u>	<u>\$ 933,526</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 14,558	\$ 13,431	0.7 %	0.8 %	0.9 %	1.2 %	1.4 %
105,638					8.4	
470,000	380,000	36.6	33.8	44.5	37.6	40.7
896,850	628,079	49.7	50.7	36.0	71.7	67.3
<u>\$ 1,487,046</u>	<u>\$ 1,021,510</u>	<u>87.0 %</u>	<u>85.3 %</u>	<u>81.4 %</u>	<u>118.9 %</u>	<u>109.4 %</u>
\$ (236,774)	\$ (87,984)	13.0 %	14.7 %	18.6 %	(18.9) %	(9.4) %
\$ 7,406,712	\$					
(8,032,137)						
731,065						
<u>\$ 105,640</u>	<u>\$ - 0 -</u>					
\$ (131,134)	\$ (87,984)					
924,175	1,012,159					
<u>\$ 793,041</u>	<u>\$ 924,175</u>					
1,198	1,039					
<u>1,185</u>	<u>1,018</u>					

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**FEBRUARY 28, 2018**

District Mailing Address - Denton County Fresh Water Supply District No. 8-C  
c/o Winstead PC  
2728 N. Harwood Street, Suite 500  
Dallas, TX 75201

District Telephone Number - (214) 745-5400

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended February 28, 2018	Expense Reimbursements for the year ended February 28, 2018	<u>Title</u>
Linda Patman	05/14 05/18 (Elected)	\$ 2,250	\$ 147	President
Kellye Dakil	05/16 05/20 (Elected)	\$ 1,950	\$ 133	Vice President
Casie Eeds	05/14 05/18 (Elected)	\$ 1,800	\$ 402	Secretary
Blake Beecroft	05/14 05/18 (Elected)	\$ 1,650	\$ 105	Assistant Secretary
Randy Edwards	05/16 05/20 (Elected)	\$ 1,950	\$ 135	Treasurer/ 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 (TWC Sections 36.054 and 49.054):  
September 7, 2017.

The limit on Fees of Office that a Director may receive during a fiscal year is \$3,500 as set by Board Resolution (TWC Section 49.060) on April 13, 2005. Fees of Office are the amounts actually paid to a Director during the District current fiscal year.

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-C**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**FEBRUARY 28, 2018**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended February 28, 2018</u>	<u>Title</u>
Winstead PC	09/14/15	\$ 139,266 \$ 18,050	General Counsel/ BAN/Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	09/17/03	\$ 17,250 \$ 5,500	Audit Related BAN Related
Kathi Dye, CPA, LLC	02/27/08	\$ 23,599	Bookkeeper/ Investment Officer
Petitt Barraza LLC	12/03/02	\$ 251,606	Engineer
Hilltop Securities, Inc.	05/18/11	\$ 18,050	Financial Advisor
Arcadia Water Management, LLC	10/19/12	\$ 246,026	Operator
Denton Central Appraisal District	Legislative Action	\$ 23,758	Property Tax Appraisals
Denton County Tax Office	05/07/03	\$ 1,563	Tax Assessor/ Collector

See accompanying independent auditor's report.

