

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
WILLIAMSON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2016

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
WILLIAMSON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2016

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ANNUAL FILING AFFIDAVIT

STATE OF TEXAS
COUNTY OF WILLIAMSON

I, _____ of the
(Name of Duly Authorized District Representative)

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the District's Board of Directors on **January 25, 2017**, its annual audit report for the fiscal year or period ended **September 30, 2016** and that copies of the annual audit report have been filed in the District's office, located at

100 Congress Avenue, Suite 1300
Austin, Texas 78701
(Address of District's Office)

The filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

Date: _____.

By: _____
(Signature of District Representative)

(Typed Name and Title District Representative)

Sworn to and subscribed to before me this the _____ day of _____, 2017.

(Seal)

(Signature of Notary)

My Commission Expires On: _____, _____.
Notary Public in the State of Texas.

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Block House Municipal Utility District
Williamson County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Block House Municipal Utility District (the "District"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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.

Board of Directors
Block House Municipal
Utility District

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 September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* and other supplementary information 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. This 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

January 25, 2017

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Management's discussion and analysis of Block House Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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 explains the differences between the two presentations and assists in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$6,627,893 as of September 30, 2016. This compares with assets and deferred outflows of resources exceeding liabilities by \$5,886,547 in the prior fiscal year.

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

The following is a comparative analysis of the Statement of Net Position as of September 30, 2016, and September 30, 2015:

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2016	2015	Change Positive (Negative)
Current and Other Assets	\$ 4,784,486	\$ 5,235,838	\$ (451,352)
Capital Assets (Net of Accumulated Depreciation)	16,414,165	16,085,868	328,297
Total Assets	\$ 21,198,651	\$ 21,321,706	\$ (123,055)
Deferred Outflows of Resources	\$ 290,980	\$ 166,256	124,724
Long -Term Liabilities	\$ 14,049,976	\$ 14,761,430	\$ 711,454
Other Liabilities	811,762	839,985	28,223
Total Liabilities	\$ 14,861,738	\$ 15,601,415	\$ 739,677
Net Position:			
Net Investment in Capital Assets	\$ 2,795,145	\$ 1,630,267	\$ 1,164,878
Restricted	544,637	498,592	46,045
Unrestricted	3,288,111	3,757,688	(469,577)
Total Net Position	\$ 6,627,893	\$ 5,886,547	\$ 741,346

The District net position increased by \$741,346, accounting for a 12.6% increase in net position. The following table provides a comparative analysis of the District's operations for the years ending September 30, 2016, and September 30, 2015:

	Summary of Changes in the Statement of Activities		
	2016	2015	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,146,759	\$ 2,924,851	\$ 221,908
Charges for Services	2,548,943	2,507,872	41,071
Other Revenues	37,833	59,724	(21,891)
Total Revenues	\$ 5,733,535	\$ 5,492,447	\$ 241,088
Expenses for Services	4,992,189	4,836,842	(155,347)
Change in Net Position	\$ 741,346	\$ 655,605	\$ 85,741
Net Position, Beginning of Year	5,886,547	5,230,942	655,605
Net Position, End of Year	\$ 6,627,893	\$ 5,886,547	\$ 741,346

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2016, were \$4,044,048, a decrease of \$471,061 from the prior year.

The General Fund fund balance decreased by \$475,786, primarily due to operating expenditures and capital costs exceeding property tax and service revenues.

The Debt Service Fund fund balance increased by \$4,322, primarily due to the structure of the District's long-term debt.

The Capital Projects Fund fund balance increased by \$403.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual excess revenues over expenditures were \$15,983 more than budgeted.

CAPITAL ASSETS

The District's capital assets as of September 30, 2016, amount to \$16,414,165 (net of accumulated depreciation). These capital assets include land, as well as the water, wastewater and drainage systems and recreational facilities. Significant capital projects completed during the current fiscal year included renovations, water slides and tower and pump for Tumlinson pool.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2016	2015	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 306,291	\$ 306,291	\$
Construction in Progress	53,086	37,836	15,250
Capital Assets, Net of Accumulated Depreciation:			
Common Recreational Areas	1,756,421	950,380	806,041
Water, Wastewater and Drainage System	11,725,535	12,077,415	(351,880)
Capital Recovery Fees	2,572,832	2,713,946	(141,114)
Total Net Capital Assets	\$ 16,414,165	\$ 16,085,868	\$ 328,297

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

LONG-TERM DEBT ACTIVITY

As of September 30, 2016, the District had total bond debt payable of \$13,530,000. The changes in the debt position of the District during the fiscal year ended September 30, 2016, are summarized as follows:

Bond Debt Payable, October 1, 2015	\$ 14,425,000
Add: Refunding Bonds Issued	5,800,000
Less: Bond Principal Refunded	5,640,000
Less: Bond Principal Paid	<u>1,055,000</u>
Bond Debt Payable, September 30, 2016	<u>\$ 13,530,000</u>

The District's bonds have an underlying rating of "A1". The Series 2010 Refunding bonds and Series 2012 Refunding bonds have an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corporation. The Series 2014 Refunding bonds and Series 2016 Refunding bonds have an insured rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. The ratings above include all rating changes of bond insurers through September 30, 2016.

The ratio of the District's long-term debt to the total taxable assessed valuation (\$380,488,219) is 3.56%. The District's estimated population, as provided by the District's operator, as of December 1, 2016, is 6,480.

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 Block House Municipal Utility District, c/o Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, TX 78701.

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2016

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 308,248	\$
Investments	3,049,750	534,961
Cash with Paying Agent		199,700
Receivables:		
Property Taxes	7,143	7,275
Service Accounts (Net of Allowance for Uncollectible Accounts of \$2,500)	410,473	
Accrued Interest	6,096	733
Other	498	
Due from Other Funds		4,595
Prepaid Costs	5,675	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 3,787,883	\$ 747,264
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,787,883	\$ 747,264

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 308,248	\$	\$ 308,248
139,976	3,724,687		3,724,687
	199,700		199,700
	14,418		14,418
	410,473		410,473
	6,829		6,829
	498		498
	4,595	(4,595)	
	5,675	113,958	119,633
		306,291	306,291
		53,086	53,086
		16,054,788	16,054,788
<u>\$ 139,976</u>	<u>\$ 4,675,123</u>	<u>\$ 16,523,528</u>	<u>\$ 21,198,651</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 290,980</u>	<u>\$ 290,980</u>
<u>\$ 139,976</u>	<u>\$ 4,675,123</u>	<u>\$ 16,814,508</u>	<u>\$ 21,489,631</u>

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

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 243,932	\$ 2,927
Accrued Interest Payable		
Due to Other Funds	4,595	
Security Deposits	365,203	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 613,730</u>	<u>\$ 2,927</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 7,143</u>	<u>\$ 7,275</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 5,675	\$
Restricted for Authorized Construction		
Restricted for Debt Service		737,062
Assigned to 2017 Budget Deficit	408,940	
Unassigned	<u>2,752,395</u>	
TOTAL FUND BALANCES	<u>\$ 3,167,010</u>	<u>\$ 737,062</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,787,883</u>	<u>\$ 747,264</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 246,859	\$	\$ 246,859
		199,700	199,700
	4,595	(4,595)	
	365,203		365,203
		1,030,000	1,030,000
		13,019,976	13,019,976
<u>\$ -0-</u>	<u>\$ 616,657</u>	<u>\$ 14,245,081</u>	<u>\$ 14,861,738</u>
<u>\$ -0-</u>	<u>\$ 14,418</u>	<u>\$ (14,418)</u>	<u>\$ -0-</u>
\$	\$ 5,675	\$ (5,675)	\$
139,976	139,976	(139,976)	
	737,062	(737,062)	
	408,940	(408,940)	
	2,752,395	(2,752,395)	
<u>\$ 139,976</u>	<u>\$ 4,044,048</u>	<u>\$ (4,044,048)</u>	<u>\$ - 0 -</u>
<u>\$ 139,976</u>	<u>\$ 4,675,123</u>		
		\$ 2,795,145	\$ 2,795,145
		544,637	544,637
		3,288,111	3,288,111
		<u>\$ 6,627,893</u>	<u>\$ 6,627,893</u>

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

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

Total Fund Balances - Governmental Funds \$ 4,044,048

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

Deferred charges on refunding bonds are not expenditures of the current period in governmental activities. 290,980

Prepaid bond insurance costs are amortized over the term of the debt in governmental activities. 113,958

Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 16,414,165

Deferred tax revenues on delinquent taxes for the 2015 and prior tax levies became part of recognized revenue in the governmental activities of the District. 14,418

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (199,700)	
Bonds Payable	<u>(14,049,976)</u>	<u>(14,249,676)</u>

Total Net Position - Governmental Activities \$ 6,627,893

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

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BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,693,758	\$ 1,463,044
Water Service	722,247	
Wastewater Service	450,591	
Park Fee	257,560	
Basic Services	1,037,954	
Penalty and Interest	63,223	15,197
Tap Connection and Inspection Fees	2,171	
Investment Revenues	16,753	4,371
Miscellaneous Revenues	16,299	7
TOTAL REVENUES	\$ 4,260,556	\$ 1,482,619
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 241,697	\$
Contracted Services	1,508,424	1,600
Purchased Water Service	641,086	
Purchased Wastewater Service	291,221	
Utilities	47,866	
Park/Pool	708,156	
Repairs and Maintenance	63,677	
Depreciation		
Other	182,257	
Capital Outlay	1,051,958	
Debt Service:		
Bond Issuance Costs		248,564
Bond Principal		1,055,000
Bond Interest		421,697
TOTAL EXPENDITURES/EXPENSES	\$ 4,736,342	\$ 1,726,861
EXCESS (DEFICIENCY) OF REVENUES OVER		
EXPENDITURES/EXPENSES	\$ (475,786)	\$ (244,242)
OTHER FINANCING SOURCES (USES)		
Refunding Bonds	\$	\$ 5,800,000
Transfer to Refunding Bond Escrow Agent		(5,752,800)
Bond Premium		201,364
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ 248,564
NET CHANGE IN FUND BALANCES	\$ (475,786)	\$ 4,322
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
OCTOBER 1, 2015	3,642,796	732,740
FUND BALANCES/NET POSITION -		
SEPTEMBER 30, 2016	\$ 3,167,010	\$ 737,062

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 3,156,802	\$ (10,043)	\$ 3,146,759
	722,247		722,247
	450,591		450,591
	257,560		257,560
	1,037,954		1,037,954
	78,420		78,420
	2,171		2,171
403	21,527		21,527
	16,306		16,306
<u>\$ 403</u>	<u>\$ 5,743,578</u>	<u>\$ (10,043)</u>	<u>\$ 5,733,535</u>
\$	\$ 241,697	\$	\$ 241,697
	1,510,024		1,510,024
	641,086		641,086
	291,221		291,221
	47,866		47,866
	708,156		708,156
	63,677		63,677
		723,661	723,661
	182,257		182,257
	1,051,958	(1,051,958)	
	248,564	(19,601)	228,963
	1,055,000	(1,055,000)	
	421,697	(68,116)	353,581
<u>\$ - 0 -</u>	<u>\$ 6,463,203</u>	<u>\$ (1,471,014)</u>	<u>\$ 4,992,189</u>
<u>\$ 403</u>	<u>\$ (719,625)</u>	<u>\$ 1,460,971</u>	<u>\$ 741,346</u>
\$	\$ 5,800,000	\$ (5,800,000)	\$
	(5,752,800)	5,752,800	
	201,364	(201,364)	
<u>\$ -0-</u>	<u>\$ 248,564</u>	<u>\$ (248,564)</u>	<u>\$ -0-</u>
\$ 403	\$ (471,061)	\$ 471,061	\$
		741,346	741,346
<u>139,573</u>	<u>4,515,109</u>	<u>1,371,438</u>	<u>5,886,547</u>
<u>\$ 139,976</u>	<u>\$ 4,044,048</u>	<u>\$ 2,583,845</u>	<u>\$ 6,627,893</u>

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

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Net Change in Fund Balances - Governmental Funds	\$ (471,061)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(10,043)
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.	(723,661)
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.	1,051,958
Governmental funds report bond premiums as other financing sources in the year received and bond insurance costs as expenditures in the year paid. However, in the Statement of Net Position, the bond premiums and the bond insurance costs are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(181,763)
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.	1,055,000
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.	68,116
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(5,800,000)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.	<u>5,752,800</u>
Change in Net Position - Governmental Activities	<u>\$ 741,346</u>

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

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1. CREATION OF DISTRICT

Block House Municipal Utility District, located in Williamson County, Texas (the “District”) was created effective January 12, 1978 by an Order of the Texas Water Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 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, solid waste collection and disposal, including recycling, and to construct 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. The Board of Directors held its first meeting on October 9, 1979, and the first bonds were issued on November 13, 1986.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

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

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, 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 debt service 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 of 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 year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred 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.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of September 30, 2016, the General Fund owes the Debt Service Fund \$3,788 for an excess transfer of maintenance tax collections and \$807 for an excess reimbursement for bond issuance costs

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Common and Recreational Areas	5-50
Water System	10-45
Wastewater System	10-45
Drainage System	10-40
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 not 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 to be wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

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

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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 funds types 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. As of September 30, 2016, the District has assigned \$408,940 of the General Fund fund balance to use for a budgeted General Fund deficit during the year ended September 30, 2017.

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.

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3. LONG – TERM DEBT

	<u>Refunding Series 2010</u>	<u>Refunding Series 2012</u>
Amounts Outstanding – September 30, 2016	\$ 610,000	\$ 1,405,000
Interest Rates	4.00%	2.50% - 3.00%
Maturity Dates – Serially Beginning/Ending	April 1, 2017	April 1, 2017/2020
Interest Payment Dates	October 1/April 1	October 1/April 1
Callable Dates	April 1, 2016*	April 1, 2018*
	<u>Refunding Series 2014</u>	<u>Refunding Series 2016</u>
Amounts Outstanding – September 30, 2016	\$ 5,790,000	\$ 5,725,000
Interest Rates	2.00% - 3.50%	2.00% - 3.00%
Maturity Dates – Serially Beginning/Ending	April 1, 2017/2027	April 1, 2017/2026
Interest Payment Dates	October 1/April 1	October 1/April 1
Callable Dates	April 1, 2020*	April 1, 2022*

* Bonds maturing on or after this date are subject to being called at par value plus accrued interest date to the date fixed for redemption.

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2016:

	<u>October 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30, 2016</u>
Bonds Payable	\$ 14,425,000	\$ 5,800,000	\$ 6,695,000	\$ 13,530,000
Unamortized Discounts	(51,170)		(40,841)	(10,329)
Unamortized Premiums	387,600	201,364	58,659	530,305
Bonds Payable, Net	<u>\$ 14,761,430</u>	<u>\$ 6,001,364</u>	<u>\$ 6,712,818</u>	<u>\$ 14,049,976</u>
		Amount Due Within One Year		\$ 1,030,000
		Amount Due After One Year		13,019,976
		Bonds Payable, Net		<u>\$ 14,049,976</u>

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 3. LONG – TERM DEBT (Continued)

As of September 30, 2016, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 1,030,000	\$ 399,400	\$ 1,429,400
2018	1,105,000	364,950	1,469,950
2019	1,120,000	339,400	1,459,400
2020	1,170,000	311,700	1,481,700
2021	1,155,000	280,950	1,435,950
2022-2026	6,435,000	897,900	7,332,900
2027	1,515,000	53,026	1,568,026
	<u>\$ 13,530,000</u>	<u>\$ 2,647,326</u>	<u>\$ 16,177,326</u>

As of September 30, 2016, the District has authorized but unissued tax bonds in the amount of \$8,520,000 and available refunding bonds authorization of \$24,198,682. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

During the year ended September 30, 2016, the District levied an ad valorem debt service tax rate of \$0.382 per \$100 of assessed valuation, which resulted in a tax levy of \$1,453,567 on the adjusted taxable valuation of \$380,488,219 for the 2015 tax year. The bond order and bond resolution 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, or as soon thereafter as practicable.
- Lien Date - January 1.
- Due Date - Not later than January 31.
- Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$3,788,248 and the bank balance was \$4,071,116. The District was not exposed to custodial risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2016, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 308,248	\$ 3,000,000	\$ 3,308,248
DEBT SERVICE FUND		480,000	480,000
TOTAL DEPOSITS	\$ 308,248	\$ 3,480,000	\$ 3,788,248

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.

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5. DEPOSITS AND INVESTMENTS

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program. The District may limit the authorized investments pursuant to its Investment Policy.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool. Federated Investors, Inc. manages the daily operations of TexPool under a contract with the Comptroller. The fair value of the District's position in the pool is the same as the value of pool shares. As of September 30, 2016, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 year
<u>GENERAL FUND</u>		
TexPool	\$ 49,750	\$ 49,750
Certificates of Deposit	3,000,000	3,000,000
<u>DEBT SERVICE FUND</u>		
TexPool	54,961	54,961
Certificates of Deposit	480,000	480,000
<u>CAPITAL PROJECTS FUND</u>		
TexPool	139,976	139,976
TOTAL INVESTMENTS	<u>\$ 3,724,687</u>	<u>\$ 3,724,687</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2016, the District's investment in TexPool was rated AAAM by Standard and Poor's. The District also invests in certificates of deposit which are fully covered by federal depository insurance.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5. DEPOSITS AND INVESTMENTS

Investments (Continued)

Interest rate risk is the risk the changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District. The District also typically invests in certificates of deposit with maturities of less than one year.

Restrictions

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2016:

	October 1, 2015	Increases	Decreases	September 30, 2016
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 306,291	\$	\$	\$ 306,291
Construction in Progress	37,836	1,051,958	1,036,708	53,086
Total Capital Assets Not Being Depreciated	\$ 344,127	\$ 1,051,958	\$ 1,036,708	\$ 359,377
Capital Assets Subject to Depreciation				
Common Recreational Areas	\$ 5,007,045	\$ 1,016,655		\$ 6,023,700
Water, Wastewater and Drainage System	18,077,145	20,053		18,097,198
Capital Recovery Fees	4,613,743			4,613,743
Total Capital Assets Subject to Depreciation	\$ 27,697,933	\$ 1,036,708	\$ - 0 -	\$ 28,734,641
Less Accumulated Depreciation				
Common Recreational Areas	\$ 4,056,665	\$ 210,614		\$ 4,267,279
Water, Wastewater and Drainage System	5,999,730	371,933		6,371,663
Capital Recovery Fees	1,899,797	141,114		2,040,911
Total Accumulated Depreciation	\$ 11,956,192	\$ 723,661	\$ - 0 -	\$ 12,679,853
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 15,741,741	\$ 313,047	\$ - 0 -	\$ 16,054,788
Total Capital Assets, Net of Accumulated Depreciation	\$ 16,085,868	\$ 1,365,005	\$ 1,036,708	\$ 16,414,165

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 7. MAINTENANCE TAX

On April 4, 1981, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 of assessed valuation of taxable property within the District. During the year ended September 30, 2016, the District levied an ad valorem maintenance tax rate of \$0.3057 per \$100 of assessed valuation, which resulted in a tax levy of \$1,163,234 on the adjusted taxable valuation of \$380,488,219 for the 2015 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

NOTE 8. CONTRACT TAX

On May 12, 2007, the voters within the District approved a fire protection plan and contract with the City of Cedar Park, Texas for fire protection services including the funding of a service fee payable to Cedar Park through (a) tax revenues generated by a contract tax, (b) a user fee, (c) any other funds lawfully available to the District; or (d) a combination of these. During the year ended September 30, 2016, the District levied a contract tax rate of \$0.1393, which resulted in a tax levy of \$530,059 on the adjusted taxable valuation of \$380,488,219 for the 2015 tax year.

NOTE 9. WATER SUPPLY AGREEMENT

Effective March 10, 1995, the District and the City of Cedar Park, Texas (the "City") entered into a water supply contract (the "Water Agreement"). Under the terms of the Water Agreement, the City agreed to sell and the District agreed to purchase capacity in the City's water treatment and distribution system, and the City agreed to provide the District with a wholesale water supply. The Water Agreement establishes a wholesale rate for water provided by the City to the District and provides a mechanism for calculating increases in the rate based upon a cost of service study. The current rate being charged by the City is \$2.90 per 1,000 gallons purchased. During the current fiscal year, the District recorded an expenditure of \$641,086 for purchased water services.

NOTE 10. WHOLESALE WASTEWATER SERVICE AGREEMENT

Effective September 25, 2002, the District and the City entered into a wholesale wastewater service contract (the "Wastewater Agreement"). Under the terms of the Wastewater Agreement, the District agreed to purchase capacity in the City's wastewater collection and treatment system and the City agreed to provide the District with wholesale wastewater treatment services for its existing and future development. The Wastewater Agreement established a wholesale rate for wastewater service provided by the City to the District and provides that the City can change the rate periodically by action of the City Council after giving at least 30 day notice to the District to review and comment on the proposed change. The Wastewater Agreement was amended on April 10, 2008 to change how wastewater flow was to be measured. The current rate being charged by the City is \$2.01 per 1,000 gallons purchased. During the current fiscal year, the District recorded an expenditure of \$291,221 for purchased wastewater services.

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, automobile, boiler and machinery, errors and omissions and law enforcement liability coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and evaluated and denied or allowed by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 12. ADVANCE REFUNDING BOND SALE

On January 14, 2016, the District issued \$5,800,000 of Series 2016 Unlimited Tax Refunding Bonds to advance refund a portion of the Series 2010 Unlimited Tax Refunding Bonds in the amount of \$5,640,000 that were callable on April 1, 2016. As a result, the refunded bonds are considered to be defeased and the liability for these bonds have been removed from the Statement of Net Position. The effect of the refunding decreased total debt service by \$365,853 and obtained net present value savings of \$331,703.

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,679,021	\$ 1,693,758	\$ 14,737
Water Service	640,000	722,247	82,247
Wastewater Service	445,000	450,591	5,591
Park Fee	258,000	257,560	(440)
Basic Services	1,038,000	1,037,954	(46)
Penalty and Interest	62,500	63,223	723
Tap Connection and Inspection Fees	1,500	2,171	671
Investment Revenues	15,000	16,753	1,753
Miscellaneous Revenues	11,500	16,299	4,799
TOTAL REVENUES	<u>\$ 4,150,521</u>	<u>\$ 4,260,556</u>	<u>\$ 110,035</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 217,750	\$ 241,697	\$ (23,947)
Contracted Services	1,517,590	1,508,424	9,166
Purchased Water Service	580,000	641,086	(61,086)
Purchased Wastewater Service	285,000	291,221	(6,221)
Utilities	57,600	47,866	9,734
Park/Pool	806,250	708,156	98,094
Repairs and Maintenance	175,000	63,677	111,323
Other	210,600	182,257	28,343
Capital Outlay	792,500	1,051,958	(259,458)
TOTAL EXPENDITURES	<u>\$ 4,642,290</u>	<u>\$ 4,736,342</u>	<u>\$ (94,052)</u>
NET CHANGE IN FUND BALANCE	\$ (491,769)	\$ (475,786)	\$ 15,983
FUND BALANCE - OCTOBER 1, 2015	<u>3,642,796</u>	<u>3,642,796</u>	
FUND BALANCE - SEPTEMBER 30, 2016	<u>\$ 3,151,027</u>	<u>\$ 3,167,010</u>	<u>\$ 15,983</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2016**

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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> X </u>	Parks/Recreation	<u> X </u>	Fire Protection	<u> X </u>	Security
<u> X </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> X </u>	Other (specify): Restrictive Covenant Enforcement				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 3/4" METER (OR EQUIVALENT):

Based on the rate order effective August 28, 2013.

	<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:	\$ 49.66*	N/A	N	\$ 3.88 \$ 4.12 \$ 4.55 \$ 5.00	0,001 to 7,000 7,001 to 14,000 14,001 to 20,000 20,001 and up
WASTEWATER:		N/A	N	\$ 4.00	0,001 and up
SURCHARGE:	\$0.05% of water and wastewater bill				
Regulatory Assessment Fee					

District employs winter averaging for wastewater usage? X
Yes
No

Total monthly charges per 10,000 gallons usage: Water: \$89.18 Wastewater: \$40.00 Surcharge: \$0.40

* Includes base fee of \$49.66. This amount is not used to calculate regulatory assessment fee.

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	<u>2,197</u>	<u>2,188</u>	x 1.0	<u>2,188</u>
1"	<u>1</u>	<u>1</u>	x 2.5	<u>3</u>
1½"	<u>1</u>	<u>1</u>	x 5.0	<u>5</u>
2"	<u>5</u>	<u>5</u>	x 8.0	<u>40</u>
3"	<u>1</u>	<u>1</u>	x 15.0	<u>15</u>
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>2,205</u></u>	<u><u>2,196</u></u>		<u><u>2,251</u></u>
Total Wastewater Connections	<u><u>2,162</u></u>	<u><u>2,153</u></u>	x 1.0	<u><u>2,153</u></u>

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

Gallons billed to customers: 194,062,000 Water Accountability Ratio: 90.9%
(Gallons billed/Gallons purchased)

Gallons purchased: 213,525,000 From: City of Cedar Park, Texas

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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:

Williamson 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 District is located:

City of Cedar Park, Texas

Is the general membership of the Board appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

PROFESSIONAL FEES:	
Auditing	\$ 16,400
Engineering	30,126
Legal	193,921
Financial Advisor	<u>1,250</u>
TOTAL PROFESSIONAL FEES	<u>\$ 241,697</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 641,086
Purchased Wastewater Service	<u>291,221</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 932,307</u>
CONTRACTED SERVICES:	
Tax Assessor/Appraisal District	\$ 23,111
Bookkeeping	41,004
General Manager	130,200
Operations and Billing	<u>227,976</u>
TOTAL CONTRACTED SERVICES	<u>\$ 422,291</u>
UTILITIES:	
Electricity	<u>\$ 47,866</u>
REPAIRS AND MAINTENANCE	<u>\$ 63,677</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 33,600
Election Costs	2,343
Insurance	16,455
Legal Notices	102
Office Supplies and Postage	29,312
Payroll Taxes	9,968
Travel and Meetings	9,498
Other	<u>62,836</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 164,114</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

CAPITAL OUTLAY:	
Capitalized Assets	\$ 1,051,958
Expenditures Not Capitalized	<u> </u>
TOTAL CAPITAL OUTLAY	<u>\$ 1,051,958</u>
SOLID WASTE DISPOSAL	<u>\$ 440,759</u>
SECURITY	<u>\$ 114,801</u>
PARKS AND RECREATION	<u>\$ 708,156</u>
FIRE FIGHTING	<u>\$ 530,573</u>
OTHER EXPENDITURES:	
Permit Fees	\$ 4,843
Regulatory Assessment	<u>13,300</u>
TOTAL OTHER EXPENDITURES	<u>\$ 18,143</u>
TOTAL EXPENDITURES	<u>\$ 4,736,342</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
INVESTMENTS
SEPTEMBER 30, 2016**

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>					
TexPool	XXXX0001	Varies	Daily	\$ 49,750	\$
Certificate of Deposit	XXXX0418	0.50%	02/28/17	120,000	337
Certificate of Deposit	XXXX0343	0.50%	11/24/16	240,000	805
Certificate of Deposit	XXXX0317	0.35%	03/11/17	240,000	387
Certificate of Deposit	XXXX7511	0.51%	07/26/17	240,000	225
Certificate of Deposit	XXXX4538	0.90%	04/25/17	240,000	935
Certificate of Deposit	XXXX0257	0.45%	10/04/16	240,000	695
Certificate of Deposit	XXXX3635	0.50%	12/16/16	240,000	638
Certificate of Deposit	XXXX9124	0.40%	05/02/17	240,000	400
Certificate of Deposit	XXXX3858	0.50%	09/12/17	240,000	59
Certificate of Deposit	XXXX3194	0.51%	08/05/17	240,000	188
Certificate of Deposit	XXXX3329	0.35%	01/01/17	240,000	472
Certificate of Deposit	XXXX7435	0.50%	06/01/17	240,000	506
Certificate of Deposit	XXXX0757	0.35%	12/14/16	240,000	449
TOTAL GENERAL FUND				<u>\$ 3,049,750</u>	<u>\$ 6,096</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 1	\$
TexPool	XXXX0003	Varies	Daily	54,960	
Certificate of Deposit	XXXX0426	0.50%	02/15/17	240,000	674
Certificate of Deposit	XXXX6887	0.60%	09/15/17	240,000	59
TOTAL DEBT SERVICE FUND				<u>\$ 534,961</u>	<u>\$ 733</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0004	Varies	Daily	\$ 139,976	\$ -0-
TOTAL - ALL FUNDS				<u>\$ 3,724,687</u>	<u>\$ 6,829</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Maintenance Tax		Contract Tax		Debt Service Tax
TAXES RECEIVABLE -					
OCTOBER 1, 2015	\$ 5,221		\$ 2,438		\$ 16,802
Adjustments to Beginning					
Balance	<u>(34)</u>	\$ 5,187	<u>(17)</u>	\$ 2,421	<u>(50)</u> \$ 16,752
Original 2015 Tax Levy	\$ 1,164,758		\$ 530,752		\$ 1,455,471
Adjustment to 2015 Tax Levy	<u>(1,524)</u>	<u>1,163,234</u>	<u>(693)</u>	<u>530,059</u>	<u>(1,904)</u> <u>1,453,567</u>
TOTAL TO BE					
ACCOUNTED FOR		\$ 1,168,421		\$ 532,480	\$ 1,470,319
TAX COLLECTIONS:					
Prior Years	\$ 3,680		\$ 1,484		\$ 13,510
Current Year	<u>1,160,007</u>	<u>1,163,687</u>	<u>528,587</u>	<u>530,071</u>	<u>1,449,534</u> <u>1,463,044</u>
TAXES RECEIVABLE -					
SEPTEMBER 30, 2016		<u>\$ 4,734</u>		<u>\$ 2,409</u>	<u>\$ 7,275</u>
TAXES RECEIVABLE BY					
YEAR:					
2015		\$ 3,227		\$ 1,472	\$ 4,033
2014		373		192	549
2013		253		168	512
2012		273		190	605
2011		301		171	598
2010		246		180	676
2009		52		36	139
2008		9			14
2007 and prior		<u> </u>		<u> </u>	<u>149</u>
TOTAL		<u>\$ 4,734</u>		<u>\$ 2,409</u>	<u>\$ 7,275</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
PROPERTY VALUATIONS:				
Land	\$ 82,068,836	\$ 70,941,965	\$ 70,833,804	\$ 66,007,174
Improvements	324,944,704	302,582,112	258,466,166	252,298,360
Personal Property	3,891,623	3,626,373	2,691,513	2,490,425
Exemptions	<u>(30,416,944)</u>	<u>(30,264,484)</u>	<u>(14,815,133)</u>	<u>(14,108,528)</u>
TOTAL PROPERTY VALUATIONS (a)	<u>\$ 380,488,219</u>	<u>\$ 346,885,966</u>	<u>\$ 317,176,350</u>	<u>\$ 306,687,431</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.3820	\$ 0.4154	\$ 0.4747	\$ 0.4905
Maintenance	0.3057	0.2819	0.2349	0.2213
Contract	<u>0.1393</u>	<u>0.1450</u>	<u>0.1564</u>	<u>0.1542</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.8270</u>	<u>\$ 0.8423</u>	<u>\$ 0.8660</u>	<u>\$ 0.8660</u>
ADJUSTED TAX LEVY*	<u>\$ 3,146,860</u>	<u>\$ 2,925,110</u>	<u>\$ 2,746,225</u>	<u>\$ 2,656,201</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED**	<u>99.72 %</u>	<u>99.96 %</u>	<u>99.97 %</u>	<u>99.96 %</u>

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

** Calculated as taxes collected in current and previous years divided by tax levy. Calculated as of time of the original tax levy and may vary from that provided in the District's bond offering documents or the District's annual disclosure filings.

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 of assessed valuation was approved by voters on April 4, 1981.

(a) Valuations are provided by the appropriate Appraisal District and are current as of the date of the audit. Due to various factors, including tax protests and disputes, such valuations change over time; therefore, they may vary slightly from those disclosed in the District's bond offering documents or the District's annual bond disclosure filings.

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2016**

REFUNDING SERIES - 2010			
Due During Fiscal Years Ending September 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2017	\$ 610,000	\$ 24,400	\$ 634,400
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
	\$ 610,000	\$ 24,400	\$ 634,400

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2016**

REFUNDING SERIES - 2012

Due During Fiscal Years Ending September 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2017	\$ 330,000	\$ 40,500	\$ 370,500
2018	345,000	32,250	377,250
2019	360,000	21,900	381,900
2020	370,000	11,100	381,100
2021			
2022			
2023			
2024			
2025			
2026			
2027			
	<u>\$ 1,405,000</u>	<u>\$ 105,750</u>	<u>\$ 1,510,750</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2016**

REFUNDING SERIES - 2014

Due During Fiscal Years Ending September 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2017	\$ 50,000	\$ 183,600	\$ 233,600
2018	345,000	182,600	527,600
2019	340,000	175,700	515,700
2020	365,000	167,200	532,200
2021	380,000	156,250	536,250
2022	395,000	144,850	539,850
2023	395,000	133,000	528,000
2024	410,000	121,150	531,150
2025	430,000	108,850	538,850
2026	1,165,000	93,800	1,258,800
2027	1,515,000	53,026	1,568,026
	<u>\$ 5,790,000</u>	<u>\$ 1,520,026</u>	<u>\$ 7,310,026</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2016**

REFUNDING SERIES - 2016

Due During Fiscal Years Ending September 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2017	\$ 40,000	\$ 150,900	\$ 190,900
2018	415,000	150,100	565,100
2019	420,000	141,800	561,800
2020	435,000	133,400	568,400
2021	775,000	124,700	899,700
2022	795,000	109,200	904,200
2023	840,000	85,350	925,350
2024	865,000	60,150	925,150
2025	895,000	34,200	929,200
2026	245,000	7,350	252,350
2027			
	<u>\$ 5,725,000</u>	<u>\$ 997,150</u>	<u>\$ 6,722,150</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2016**

**ANNUAL REQUIREMENTS
FOR ALL SERIES**

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2017	\$ 1,030,000	\$ 399,400	\$ 1,429,400
2018	1,105,000	364,950	1,469,950
2019	1,120,000	339,400	1,459,400
2020	1,170,000	311,700	1,481,700
2021	1,155,000	280,950	1,435,950
2022	1,190,000	254,050	1,444,050
2023	1,235,000	218,350	1,453,350
2024	1,275,000	181,300	1,456,300
2025	1,325,000	143,050	1,468,050
2026	1,410,000	101,150	1,511,150
2027	1,515,000	53,026	1,568,026
	<u>\$ 13,530,000</u>	<u>\$ 2,647,326</u>	<u>\$ 16,177,326</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2015
Block House Municipal Utility District Unlimited Tax Refunding Bonds - Series 2007	\$ 5,930,000	\$ 25,000
Block House Municipal Utility District Unlimited Tax Refunding Bonds - Series 2010	9,135,000	6,860,000
Block House Municipal Utility District Unlimited Tax Refunding Bonds - Series 2012	2,640,000	1,725,000
Block House Municipal Utility District Unlimited Tax Refunding Bonds - Series 2014	5,840,000	5,815,000
Block House Municipal Utility District Unlimited Tax Refunding Bonds - Series 2016	<u>5,800,000</u>	
TOTAL	<u><u>\$ 29,345,000</u></u>	<u><u>\$ 14,425,000</u></u>

Bond Authority:	<u>Tax Bonds *</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 34,325,000	\$ 25,500,000
Amount Issued	<u>25,805,000</u>	<u>1,301,318</u>
Remaining to be Issued	<u><u>\$ 8,520,000</u></u>	<u><u>\$ 24,198,682</u></u>

Debt Service Fund cash, investments and cash with paying agent balances as of
September 30, 2016: \$ 734,661

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 1,470,666

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

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2016</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 25,000	\$ 1,000	\$	Bank Of Texas Austin, TX
	6,250,000	155,500	610,000	Bank Of Texas Austin, TX
	320,000	48,500	1,405,000	Bank Of Texas Austin, TX
	25,000	184,100	5,790,000	Bank Of Texas Austin, TX
<u>5,800,000</u>	<u>75,000</u>	<u>32,597</u>	<u>5,725,000</u>	Bank Of Texas Austin, TX
<u>\$ 5,800,000</u>	<u>\$ 6,695,000</u>	<u>\$ 421,697</u>	<u>\$ 13,530,000</u>	

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2016	2015	2014
REVENUES			
Property Taxes	\$ 1,693,758	\$ 1,486,745	\$ 1,237,975
Service Revenues	2,531,575	2,501,053	2,537,176
Tap Connection and Inspection Fees	2,171	2,106	3,306
Investment Revenues	16,753	15,086	13,472
Miscellaneous Revenues	16,299	41,181	65,219
TOTAL REVENUES	\$ 4,260,556	\$ 4,046,171	\$ 3,857,148
EXPENDITURES			
Professional Fees and Contracted Services	\$ 1,750,121	\$ 1,580,685	\$ 1,491,236
Purchased Water and Wastewater Service	932,307	862,480	911,429
Utilities	47,866	50,126	56,549
Park/Pool	708,156	728,530	733,052
Repairs and Maintenance	63,677	79,840	114,037
Other	182,257	201,058	158,796
Capital Outlay	1,051,958	156,166	
TOTAL EXPENDITURES	\$ 4,736,342	\$ 3,658,885	\$ 3,465,099
NET CHANGE IN FUND BALANCE	\$ (475,786)	\$ 387,286	\$ 392,049
BEGINNING FUND BALANCE	3,642,796	3,255,510	2,863,461
ENDING FUND BALANCE	\$ 3,167,010	\$ 3,642,796	\$ 3,255,510

See accompanying independent auditor's report.

		Percentage of Total Revenue				
<u>2013</u>	<u>2012</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 1,148,677	\$ 1,193,485	39.7 %	36.7 %	32.1 %	30.6 %	31.3 %
2,556,148	2,569,424	59.4	61.8	65.8	68.1	67.3
1,993	9,749	0.1	0.1	0.1	0.1	0.3
14,966	15,889	0.4	0.4	0.3	0.4	0.4
<u>31,153</u>	<u>27,405</u>	<u>0.4</u>	<u>1.0</u>	<u>1.7</u>	<u>0.8</u>	<u>0.7</u>
<u>\$ 3,752,937</u>	<u>\$ 3,815,952</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 1,418,706	\$ 1,352,630	41.1 %	39.1 %	38.7 %	37.8 %	35.4 %
919,965	1,014,070	21.9	21.3	23.6	24.5	26.6
54,031	56,986	1.1	1.2	1.5	1.4	1.5
707,277	574,649	16.6	18.0	19.0	18.8	15.1
128,918	78,907	1.5	2.0	3.0	3.4	2.1
176,105	156,180	4.3	5.0	4.1	4.7	4.1
<u>22,609</u>	<u>262,205</u>	<u>24.7</u>	<u>3.9</u>		<u>0.6</u>	<u>6.9</u>
<u>\$ 3,427,611</u>	<u>\$ 3,495,627</u>	<u>111.2 %</u>	<u>90.5 %</u>	<u>89.9 %</u>	<u>91.2 %</u>	<u>91.7 %</u>
\$ 325,326	\$ 320,325	<u>(11.2) %</u>	<u>9.5 %</u>	<u>10.1 %</u>	<u>8.8 %</u>	<u>8.3 %</u>
<u>2,538,135</u>	<u>2,217,810</u>					
<u>\$ 2,863,461</u>	<u>\$ 2,538,135</u>					

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2016	2015	2014
REVENUES			
Property Taxes	\$ 1,478,241	\$ 1,453,468	\$ 1,508,489
Investment Revenues	4,371	3,382	2,490
Miscellaneous Revenues	<u>7</u>	<u>7</u>	<u></u>
TOTAL REVENUES	<u>\$ 1,482,619</u>	<u>\$ 1,456,857</u>	<u>\$ 1,510,979</u>
EXPENDITURES			
Tax Collection Expenditures	\$	\$ 356	\$ 3,469
Debt Service Principal	1,055,000	935,000	900,000
Debt Service Interest and Fees	423,297	502,298	598,022
Bond Issuance Costs	<u>248,564</u>	<u></u>	<u>228,322</u>
TOTAL EXPENDITURES	<u>\$ 1,726,861</u>	<u>\$ 1,437,654</u>	<u>\$ 1,729,813</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (244,242)</u>	<u>\$ 19,203</u>	<u>\$ (218,834)</u>
OTHER FINANCING SOURCES (USES)			
Refunding Bonds	\$ 5,800,000	\$	\$ 5,840,000
Transfer to Refunding Escrow Agent	(5,752,800)		(5,788,362)
Bond Discount			
Bond Premium	<u>201,364</u>	<u></u>	<u>177,255</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 248,564</u>	<u>\$ -0-</u>	<u>\$ 228,893</u>
NET CHANGE IN FUND BALANCE	\$ 4,322	\$ 19,203	\$ 10,059
BEGINNING FUND BALANCE	<u>732,740</u>	<u>713,537</u>	<u>703,478</u>
ENDING FUND BALANCE	<u>\$ 737,062</u>	<u>\$ 732,740</u>	<u>\$ 713,537</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>2,196</u>	<u>2,162</u>	<u>2,168</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>2,153</u>	<u>2,142</u>	<u>2,142</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
<u>2013</u>	<u>2012</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 1,506,177	\$ 1,515,510	99.7 %	99.8 %	99.8 %	99.7 %	99.6 %
4,295	6,276	0.3	0.2	0.2	0.3	0.4
<u>\$ 1,510,472</u>	<u>\$ 1,521,786</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 14,782	\$ 15,060	%	%	0.2 %	1.0 %	1.0 %
1,160,000	1,080,000	71.2	64.2	59.6	76.8	71.0
622,094	643,064	28.6	34.5	39.6	41.2	42.3
	114,079	16.8		15.1		7.5
<u>\$ 1,796,876</u>	<u>\$ 1,852,203</u>	<u>116.6 %</u>	<u>98.7 %</u>	<u>114.5 %</u>	<u>119.0 %</u>	<u>121.8 %</u>
<u>\$ (286,404)</u>	<u>\$ (330,417)</u>	<u>(16.6) %</u>	<u>1.3 %</u>	<u>(14.5) %</u>	<u>(19.0) %</u>	<u>(21.8) %</u>
\$	\$ 2,640,000					
	(2,625,609)					
	(23,621)					
	125,199					
<u>\$ - 0 -</u>	<u>\$ 115,969</u>					
\$ (286,404)	\$ (214,448)					
989,882	1,204,330					
<u>\$ 703,478</u>	<u>\$ 989,882</u>					
2,096	2,096					
<u>2,092</u>	<u>2,092</u>					

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2016**

District Mailing Address - Block House Municipal Utility District
c/o Armbrust & Brown, PLLC
100 Congress Avenue, Suite 1300
Austin, TX 78701

District Telephone Number - (512) 259-0959

Board Members	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended September 30, 2016</u>	<u>Expense Reimbursements for the year ended September 30, 2016</u>	<u>Title</u>
Debra Plowman	11/14 11/18 (Elected)	\$ 6,500	\$ 1,580	President
Cecilia A. Roberts	11/12 11/16 (Elected)	\$ 6,200	\$ 553	Vice President
Steve A. Bennett	11/12 11/16 (Elected)	\$ 7,200	\$ 1,560	Treasurer
Ursula Logan	11/14 11/18 (Elected)	\$ 7,200	\$ 1,482	Secretary
Vanessa Longoria-Carter	11/14 11/18 (Elected)	\$ 6,500	\$ 1,795	Assistant Secretary

Note: 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 developer or with any of the District's consultants.

Submission Date of most recent District Registration Form (TWC Sections 36.054 and 49.054):
November 22, 2016.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on July 23, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2016**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2016</u>	<u>Title</u>
Armbrust & Brown, PLLC	06/91	\$ 197,024 \$ 20,000	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	08/11	\$ 17,150	Auditor
Municipal Accounts & Consulting, L.P.	09/08	\$ 44,058	Bookkeeper
Gray & Associates, Inc.	11/92	\$ 49,408	Engineer
Public Finance Group LLC	03/14	\$ 81,003	Financial Advisor
Pinnacle Texas Management, LLC	09/15	\$ 179,220	General Manager
Crossroads Utility Services	06/09	\$ 303,704	Operator
Williamson County Tax Assessor/Collector	07/99	\$ 548	Tax Assessor/ Collector

See accompanying independent auditor's report.

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BLOCK HOUSE MUNICIPAL UTILITY DISTRICT

OTHER SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2016
(UNAUDITED)

Taxpayers	Tax Roll Year		
	2016	2015	2014
Stoneridge Capital Partners Ltd	\$	\$	\$ 3,645,666
Pedernales Electric Cooperative Inc.	1,925,678	2,224,078	1,788,712
Paver Family Enterprises L.P.	1,646,090	1,594,058	1,578,795
McGetrick, Jacqueline	872,286	811,088	753,684
Decker, Shannon M.		662,255	
Arpad, Sheldon & Diana	575,320	545,770	497,386
Staalenburg, Ruben	522,168	506,256	456,241
Halstead, Leon & Sharen			
Wang, Xueying		389,718	
Heitkoetter, Markus	422,781	372,302	347,648
Roe, Robert R. & Laura A.	398,278	370,396	344,882
GCC Properties I L.P.	397,695		337,718
Phillips, Tom & Andrea C.			
Aguirre, Armonda Mauricio & Dennis			
Aquirre-Jordan	395,295		
Bradford, McKay & Danielle	393,000		
Cohen, Albert & Debra		372,780	346,687
Total Principal Taxpayers	<u>\$ 7,548,591</u>	<u>\$ 7,848,701</u>	<u>\$ 10,097,419</u>
Percent of Assessed Valuation	<u>1.88%</u>	<u>2.06%</u>	<u>2.91%</u>

Source: Williamson Central Appraisal
District Website

See accompanying independent auditor's report

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BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
ASSESSED VALUE BY CLASSIFICATION
SEPTEMBER 30, 2016
(UNAUDITED)

Type of Property	Tax Roll Year					
	2016		2015		2014	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Single Family	\$411,587,575	102.54%	\$391,528,682	102.90%	\$358,407,845	103.32%
Commercial	1,646,090	0.41	1,594,058	0.42	1,578,795	0.46
Utilities	1,274,100	0.32	276,009	0.07	1,788,712	0.52
Acreage	3,881,924	0.97	3,772,089	0.99	1,060	
Vacant Lot	127,500	0.03	193,140	0.05	190,720	0.05
Tangible Personal, Business	380,893	0.09	300,587	0.08	320,073	0.09
Less: Adjustments	<u>(17,505,328)</u>	<u>(4.36)</u>	<u>(17,176,346)</u>	<u>(4.51)</u>	<u>(15,401,239)</u>	<u>(4.44)</u>
Total	<u>\$ 401,392,754</u>	<u>100.00%</u>	<u>\$ 380,488,219</u>	<u>100.00%</u>	<u>\$ 346,885,966</u>	<u>100.00%</u>

Source: "Comptrollers Audit Report" located on the Williamson
Central Appraisal District Website

See accompanying independent auditor's report

