

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT

WILLIAMSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2013

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT

WILLIAMSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2013

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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 22, 2014**, its annual audit report for the fiscal year or period ended **September 30, 2013** 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 _____, 2014.

(Seal)

(Signature of Notary)

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

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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Suite 235
Houston, Texas 77065-5610
(713) 462-0341
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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, 2013, 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, 2013, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 8 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 30 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.

Supplementary 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 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

January 22, 2014

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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, 2013. Please read it in conjunction with the District's financial statements, which begin on page 9.

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 Fund Revenues, Expenditures and Changes in Fund Balances. This report also includes 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 first of the government-wide statements is the Statement of Net Position. This information is found in the Statement of Net Position column on pages 9 through 12. The Statement of Net Position is the District-wide statement of its financial position presenting information that includes all of the District's assets and liabilities, 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 on pages 14 and 15 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, 2013**

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 on page 13 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities on page 16 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. The notes to the financial statements can be found on pages 17 through 28 in this report.

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$4,969,112 as of September 30, 2013. This compares with assets exceeding liabilities by \$4,499,756, as adjusted, 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, 2013, and September 30, 2012:

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2013	2012	Change Positive (Negative)
Current and Other Assets	\$ 4,657,669	\$ 4,640,041	\$ 17,628
Capital Assets (Net of Accumulated Depreciation)	17,482,256	18,215,628	(733,372)
Total Assets	\$ 22,139,925	\$ 22,855,669	\$ (715,744)
Long -Term Liabilities	\$ 15,348,712	\$ 16,263,734	\$ 915,022
Other Liabilities	1,822,101	2,092,179	270,078
Total Liabilities	\$ 17,170,813	\$ 18,355,913	\$ 1,185,100
Net Position:			
Net Investment in Capital Assets	\$ 1,479,004	\$ 1,051,372	\$ 427,632
Restricted	425,163	695,594	(270,431)
Unrestricted	3,064,945	2,752,790	312,155
Total Net Position	\$ 4,969,112	\$ 4,499,756	\$ 469,356

*

The District net position increased by \$469,356, accounting for a 10.4% increase in net position. The following table provides a comparative analysis of the District's operations for the years ending September 30, 2013, and September 30, 2012:

	Summary of Changes in the Statement of Activities		
	2013	2012	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,655,796	\$ 2,706,104	\$ (50,308)
Charges for Services	2,563,850	2,585,654	(21,804)
Other Revenues	50,534	49,716	818
Total Revenues	\$ 5,270,180	\$ 5,341,474	\$ (71,294)
Expenses for Services	4,800,824	4,947,515	146,691
Change in Net Position	\$ 469,356	\$ 393,959	\$ 75,397
Net Position, Beginning of Year	4,499,756	4,105,797	393,959
Net Position, End of Year	\$ 4,969,112	\$ 4,499,756	\$ 469,356

*

* As Adjusted, Note 13

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2013, were \$3,812,399, an increase of \$24,904 from the prior year.

The General Fund fund balance increased by \$325,326, primarily due to property tax and service revenues exceeding operating expenditures.

The Debt Service Fund fund balance decreased by \$286,404, primarily due to the structure of the District's long-term debt.

The Capital Projects Fund fund balance decreased by \$14,018.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual excess revenues over expenditures were \$314,246 more than budgeted. See the budget to actual comparison on page 30.

CAPITAL ASSETS

The District's capital assets as of September 30, 2013, amount to \$17,482,256 (net of accumulated depreciation). These capital assets include land, as well as the water, wastewater and drainage systems and recreational facilities.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2013	2012	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 306,291	\$ 306,291	\$
Capital Assets, Net of Accumulated Depreciation:			
Common Recreational Areas	1,392,566	1,615,660	(223,094)
Water, Wastewater and Drainage System	12,787,851	13,157,328	(369,477)
Capital Recovery Fees	2,995,548	3,136,349	(140,801)
Total Net Capital Assets	\$ 17,482,256	\$ 18,215,628	\$ (733,372)

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

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**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

LONG-TERM DEBT ACTIVITY

As of September 30, 2013, the District had total bond debt payable of \$16,150,000. The changes in the debt position of the District during the fiscal year ended September 30, 2013, are summarized as follows:

Bond Debt Payable, October 1, 2012	\$ 17,310,000
Less: Bond Principal Paid	<u>1,160,000</u>
Bond Debt Payable, September 30, 2013	<u>\$ 16,150,000</u>

The District’s bonds have an underlying rating of “BBB+”. The Series 2007 Refunding bonds, 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 ratings above include all rating changes of bond insurers through September 30, 2013.

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, 2013**

	General Fund	Debt Service Fund
ASSETS		
Cash, Note 5	\$ 248,905	\$
Investments, Note 5	2,758,470	400,915
Cash with Fiscal Agent		298,411
Receivables:		
Property Taxes	9,266	20,096
Service Accounts (Net of Allowance for Uncollectible Accounts of \$2,500)	423,697	
Accrued Interest	6,743	1,399
Other	10,025	
Due from Other Funds, Note 12	4,900	47
Prepaid Costs	2,239	2,925
Land, Note 6		
Capital Assets (Net of Accumulated Depreciation), Note 6		
TOTAL ASSETS	\$ 3,464,245	\$ 723,793

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>
\$ 250,360	\$ 248,905	\$	\$ 248,905
	3,409,745		3,409,745
	298,411		298,411
	29,362		29,362
	423,697		423,697
	8,142		8,142
	10,025	32,000	42,025
	4,947	(4,947)	
	5,164	192,218	197,382
		306,291	306,291
		<u>17,175,965</u>	<u>17,175,965</u>
<u>\$ 250,360</u>	<u>\$ 4,438,398</u>	<u>\$ 17,701,527</u>	<u>\$ 22,139,925</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, 2013**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 217,778	\$ 219
Accrued Interest Payable		
Due to Other Funds, Note 12	47	
Security Deposits	373,693	
Unearned Pool Rental Revenue		
Long Term Liabilities:		
Bonds Payable, Due Within One Year, Note 3		
Bonds Payable, Due After One Year, Note 3		
TOTAL LIABILITIES	\$ 591,518	\$ 219
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 9,266	\$ 20,096
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 2,239	\$ 2,925
Restricted for Authorized Construction		
Restricted for Debt Service		700,553
Assigned to 2014 Budget Deficit, Note 2	31,461	
Unassigned	2,829,761	
TOTAL FUND BALANCES	\$ 2,863,461	\$ 703,478
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,464,245	\$ 723,793
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>
\$	\$ 217,997	\$	\$ 217,997
		298,411	298,411
4,900	4,947	(4,947)	
	373,693		373,693
		32,000	32,000
		900,000	900,000
		15,348,712	15,348,712
<u>\$ 4,900</u>	<u>\$ 596,637</u>	<u>\$ 16,574,176</u>	<u>\$ 17,170,813</u>
<u>\$ -0-</u>	<u>\$ 29,362</u>	<u>\$ (29,362)</u>	<u>\$ -0-</u>
\$	\$ 5,164	\$ (5,164)	\$
245,460	245,460	(245,460)	
	700,553	(700,553)	
	31,461	(31,461)	
	2,829,761	(2,829,761)	
<u>\$ 245,460</u>	<u>\$ 3,812,399</u>	<u>\$ (3,812,399)</u>	<u>\$ - 0 -</u>
<u>\$ 250,360</u>	<u>\$ 4,438,398</u>		
		\$ 1,479,004	\$ 1,479,004
		425,163	425,163
		3,064,945	3,064,945
		<u>\$ 4,969,112</u>	<u>\$ 4,969,112</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, 2013**

Total Fund Balances - Governmental Funds	\$	3,812,399
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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.		192,218
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Land and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		17,482,256
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Deferred tax revenues on delinquent taxes for the 2012 and prior tax levies became part of recognized revenue in the governmental activities of the District.		29,362
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (298,411)	
Bonds Payable Within One Year	(900,000)	
Bonds Payable After One Year	<u>(15,348,712)</u>	<u>(16,547,123)</u>

Total Net Position - Governmental Activities	\$	<u>4,969,112</u>
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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 FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,148,677	\$ 1,500,468
Water Service	720,713	
Wastewater Service	482,131	
Park Fee	258,714	
Basic Services	1,021,631	
Penalty and Interest	72,959	5,709
Tap Connection and Inspection Fees	1,993	
Investment Revenues	14,966	4,295
Miscellaneous Revenues	31,153	
	<u>\$ 3,752,937</u>	<u>\$ 1,510,472</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 187,358	\$ 2,590
Contracted Services	1,231,348	13,392
Purchased Water Service, Note 9	607,085	
Purchased Wastewater Service, Note 10	312,880	
Utilities	54,031	
Park/Pool	707,277	
Repairs and Maintenance	128,918	
Depreciation, Note 6		
Other	176,105	
Capital Outlay	22,609	
Debt Service:		
Bond Principal		1,160,000
Bond Interest		620,894
	<u>\$ 3,427,611</u>	<u>\$ 1,796,876</u>
TOTAL EXPENDITURES/EXPENSES		
NET CHANGE IN FUND BALANCES	\$ 325,326	\$ (286,404)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
OCTOBER 1, 2012, AS ADJUSTED, NOTE 13	<u>2,538,135</u>	<u>989,882</u>
FUND BALANCES/NET POSITION -		
SEPTEMBER 30, 2013	<u>\$ 2,863,461</u>	<u>\$ 703,478</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,649,145	\$ 6,651	\$ 2,655,796
	720,713		720,713
	482,131		482,131
	258,714		258,714
	1,021,631		1,021,631
	78,668		78,668
	1,993		1,993
120	19,381		19,381
	31,153		31,153
\$ 120	\$ 5,263,529	\$ 6,651	\$ 5,270,180
\$	\$ 189,948	\$	\$ 189,948
	1,244,740		1,244,740
	607,085		607,085
	312,880		312,880
	54,031		54,031
	707,277		707,277
14,138	143,056		143,056
		755,981	755,981
	176,105		176,105
	22,609	(22,609)	
	1,160,000	(1,160,000)	
	620,894	(11,173)	609,721
\$ 14,138	\$ 5,238,625	\$ (437,801)	\$ 4,800,824
\$ (14,018)	\$ 24,904	\$ (24,904)	\$
		469,356	469,356
259,478	3,787,495	712,261	4,499,756
\$ 245,460	\$ 3,812,399	\$ 1,156,713	\$ 4,969,112

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, 2013**

Net Change in Fund Balances - Governmental Funds	\$	24,904
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.</p>		6,651
<p>Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.</p>		(755,981)
<p>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.</p>		22,609
<p>Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.</p>		1,160,000
<p>Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.</p>		<u>11,173</u>
Change in Net Position - Governmental Activities	\$	<u><u>469,356</u></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, 2013

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 GASB has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit's board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The District was created as an independent municipality. The District does not meet the criteria for inclusion as a component unit of any entity nor does any other entity meet the component unit criteria for inclusion in the District's financial statements.

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, 2013

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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.

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, 2013

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.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

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, 2013

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, 2013, the District has assigned \$31,461 of the General Fund fund balance to use for a budgeted General Fund deficit during the year ended September 30, 2014.

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, 2013**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is effective for fiscal years beginning after December 15, 2011, provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net assets that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net assets applicable to a future reporting period. GASB Statement No. 63 has been implemented in these financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for fiscal years beginning after December 15, 2012, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 has been early implemented in these financial statements.

NOTE 3. LONG – TERM DEBT

	<u>Refunding Series 2007</u>	<u>Refunding Series 2010</u>	<u>Refunding Series 2012</u>
Amounts Outstanding – September 30, 2013	\$ 5,805,000	\$ 8,000,000	\$ 2,345,000
Interest Rates	4.00% - 4.20%	2.00% - 4.00%	2.00% - 3.00%
Maturity Dates – Serially Beginning/Ending	April 1, 2014/2027	April 1, 2014/2026	April 1, 2014/2020
Interest Payment Dates	October 1/April 1	October 1/April 1	October 1/April 1
Callable Dates	April 1, 2014*	April 1, 2016*	April 1, 2018*

* 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, 2013:

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 3. LONG – TERM DEBT (Continued)

	October 1, 2012	Additions	Retirements	September 30, 2013
Bonds Payable	\$ 17,310,000		\$ 1,160,000	\$ 16,150,000
Unamortized Discounts	(208,736)		(15,790)	(192,946)
Unamortized Premiums	322,470		30,812	291,658
Bonds Payable, net	<u>\$ 17,423,734</u>	<u>\$ -0-</u>	<u>\$ 1,175,022</u>	<u>\$ 16,248,712</u>
			Amount Due Within One Year	\$ 900,000
			Amount Due After One Year	<u>15,348,712</u>
			Total Long-Term Liabilities	<u>\$ 16,248,712</u>

As of September 30, 2013, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2014	900,000	596,822	1,496,822
2015	910,000	578,322	1,488,322
2016	955,000	553,872	1,508,872
2017	965,000	526,572	1,491,572
2018	1,045,000	492,922	1,537,922
2019-2023	5,745,000	1,853,960	7,598,960
2024-2027	5,630,000	600,644	6,230,644
	<u>\$ 16,150,000</u>	<u>\$ 5,203,114</u>	<u>\$ 21,353,114</u>

As of September 30, 2013, the District has authorized but unissued tax bonds in the amount of \$8,520,000 and available refunding bonds authorization of \$24,743,422. 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, 2013, the District levied an ad valorem debt service tax rate of \$0.4905 per \$100 of assessed valuation, which resulted in a tax levy of \$1,504,465 on the adjusted taxable valuation of \$306,687,431 for the 2012 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.

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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.

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 \$3,248,905 and the bank balance was \$3,450,705. Of the bank balance, \$3,251,416 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third-party depository.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2013, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 248,905	\$ 2,640,000	\$ 2,888,905
DEBT SERVICE FUND		360,000	360,000
TOTAL DEPOSITS	\$ 248,905	\$ 3,000,000	\$ 3,248,905

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;

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 5. DEPOSITS AND INVESTMENTS

Investments (Continued)

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. 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, 2013, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
TexPool	\$ 118,470	\$ 118,470	\$	\$	\$
Certificates of Deposit	2,640,000	2,640,000			
<u>DEBT SERVICE FUND</u>					
TexPool	40,915	40,915			
Certificates of Deposit	360,000	360,000			
<u>CAPITAL PROJECTS FUND</u>					
TexPool	112,923	112,923			
Money Market Mutual Funds	137,437	137,437			
TOTAL INVESTMENTS	<u>\$ 3,409,745</u>	<u>\$ 3,409,745</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 5. DEPOSITS AND INVESTMENTS

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2013, the District's investment in TexPool was rated AAAM by Standard and Poor's. The District's investments in the Money Market Mutual Funds were rated AAAM and A-1+.

Interest rate risk is the risk the changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and Money Market Mutual Funds 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.

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, 2013:

	October 1, 2012	Increases	Decreases	September 30, 2013
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 306,291	\$	\$	\$ 306,291
Construction in Progress		22,609	22,609	
Total Capital Assets Not Being Depreciated	<u>\$ 306,291</u>	<u>\$ 22,609</u>	<u>\$ 22,609</u>	<u>\$ 306,291</u>
Capital Assets Subject to Depreciation				
Common Recreational Areas	\$ 4,957,586	\$ 22,609	\$	\$ 4,980,195
Water, Wastewater and Drainage System	18,047,615			18,047,615
Capital Recovery Fees	4,613,743			4,613,743
Total Capital Assets Subject to Depreciation	<u>\$ 27,618,944</u>	<u>\$ 22,609</u>	<u>\$ - 0 -</u>	<u>\$ 27,641,553</u>
Less Accumulated Depreciation				
Common Recreational Areas	\$ 3,341,926	\$ 245,703	\$	\$ 3,587,629
Water, Wastewater and Drainage System	4,890,287	369,477		5,259,764
Capital Recovery Fees	1,477,394	140,801		1,618,195
Total Accumulated Depreciation	<u>\$ 9,709,607</u>	<u>\$ 755,981</u>	<u>\$ - 0 -</u>	<u>\$ 10,465,588</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 17,909,337</u>	<u>\$ (733,372)</u>	<u>\$ - 0 -</u>	<u>\$ 17,175,965</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 18,215,628</u>	<u>\$ (710,763)</u>	<u>\$ 22,609</u>	<u>\$ 17,482,256</u>

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

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, 2013, the District levied an ad valorem maintenance tax rate of \$0.2213 per \$100 of assessed valuation, which resulted in a tax levy of \$678,773 on the adjusted taxable valuation of \$306,687,431 for the 2012 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, 2013, the District levied a contract tax rate of \$0.1542, which resulted in a tax levy of \$472,963 on the adjusted taxable valuation of \$306,687,431 for the 2012 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 Water Agreement was amended on September 25, 2000 to set the rate at \$2.39 per 1,000 gallons purchased without need for a cost of service study. The amendment specified that a cost of service study be required for any future rate adjustments. The current rate being charged by the City is \$3.03 per 1,000 gallons purchased. During the current fiscal year, the District recorded an expenditure of \$607,085 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

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013**

NOTE 10. WHOLESALE WASTEWATER SERVICE AGREEMENT (Continued)

April 10, 2008 to change how wastewater flow was to be measured. During the current fiscal year, the District recorded an expenditure of \$312,880 for purchased wastewater services.

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. During the current fiscal year ended September 30, 2013, the District contributed \$7,024 to the fund for this insurance coverage. 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. INTERFUND RECEIVABLES/PAYABLES

As of September 30, 2013, the District has the following interfund payables and receivables: the General Fund owes the Debt Service Fund \$47 for debt service tax collections. The Capital Projects Fund owes the General Fund \$4,900 for construction projects.

NOTE 13. PRIOR PERIOD ADJUSTMENT

GASB Statement No. 65 was implemented in the current fiscal year. Bond issuance costs previously reported as assets to be amortized over the life of the related debt are now recognized as an expense in the period in which the bonds are sold. The effect of this change in accounting principle is as follows:

Net Position - October 1, 2012	\$	4,960,740
Effect of Adjustment		<u>(460,984)</u>
Net Position - October 1, 2012, As Adjusted	\$	<u><u>4,499,756</u></u>

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2013

**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, 2013**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 1,140,125	\$ 1,148,677	\$ 8,552
Water Service	700,000	720,713	20,713
Wastewater Service	500,000	482,131	(17,869)
Park Fee	255,000	258,714	3,714
Basic Services	978,100	1,021,631	43,531
Penalty and Interest	78,500	72,959	(5,541)
Tap Connection and Inspection Fees	7,250	1,993	(5,257)
Investment Revenues	20,000	14,966	(5,034)
Miscellaneous Revenues	30,000	31,153	1,153
TOTAL REVENUES	<u>\$ 3,708,975</u>	<u>\$ 3,752,937</u>	<u>\$ 43,962</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 257,000	\$ 187,358	\$ 69,642
Contracted Services	1,213,295	1,231,348	(18,053)
Purchased Water Service	650,000	607,085	42,915
Purchased Wastewater Service	365,000	312,880	52,120
Utilities	59,600	54,031	5,569
Park/Pool	744,500	707,277	37,223
Repairs and Maintenance	140,000	128,918	11,082
Other	218,500	176,105	42,395
Capital Outlay	50,000	22,609	27,391
TOTAL EXPENDITURES	<u>\$ 3,697,895</u>	<u>\$ 3,427,611</u>	<u>\$ 270,284</u>
NET CHANGE IN FUND BALANCE	\$ 11,080	\$ 325,326	\$ 314,246
FUND BALANCE - OCTOBER 1, 2012	<u>2,538,135</u>	<u>2,538,135</u>	<u> </u>
FUND BALANCE - SEPTEMBER 30, 2013	<u>\$ 2,549,215</u>	<u>\$ 2,863,461</u>	<u>\$ 314,246</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2013**

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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, 2013**

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"	2,155	2,092	x 1.0	2,092
1"	1	1	x 2.5	3
1½"	1	1	x 5.0	5
2"	1	1	x 8.0	8
3"	1	1	x 15.0	15
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>2,159</u>	<u>2,096</u>		<u>2,123</u>
Total Wastewater Connections	<u>2,159</u>	<u>2,092</u>	x 1.0	<u>2,092</u>

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

Gallons billed to customers:	196,577,000	Water Accountability Ratio: 83.4%
		(Gallons billed/Gallons purchased)
Gallons purchased:	235,618,000	From: <u>City of Cedar Park, Texas</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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 or Counties 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 extra territorial jurisdiction (ETJ)?

Entirely X Partly _____ Not at all _____

ETJ's 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, 2013**

PROFESSIONAL FEES:	
Auditing	\$ 15,000
Engineering	57,660
Legal	114,184
Financial Advisor	<u>514</u>
TOTAL PROFESSIONAL FEES	<u>\$ 187,358</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 607,085
Purchased Wastewater Service	<u>312,880</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 919,965</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 9,412
Bookkeeping	32,623
Operations and Billing	<u>227,314</u>
TOTAL CONTRACTED SERVICES	<u>\$ 269,349</u>
UTILITIES:	
Electricity	\$ 53,938
Telephone	<u>93</u>
TOTAL UTILITIES	<u>\$ 54,031</u>
REPAIRS AND MAINTENANCE	<u>\$ 128,918</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 31,200
Election Costs	6,910
Insurance	7,324
Legal Notices	764
Office Supplies and Postage	48,441
Payroll Taxes	2,387
Travel and Meetings	9,222
Other	<u>58,639</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 164,887</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

CAPITAL OUTLAY:	
Capitalized Assets	\$ 22,609
Expenditures Not Capitalized	<u> </u>
TOTAL CAPITAL OUTLAY	<u>\$ 22,609</u>
SOLID WASTE DISPOSAL	<u>\$ 394,779</u>
SECURITY	<u>\$ 95,585</u>
PARKS AND RECREATION	<u>\$ 707,277</u>
FIRE FIGHTING	<u>\$ 471,635</u>
OTHER EXPENDITURES:	
Permit Fees	\$ 4,830
Regulatory Assessment	<u>6,388</u>
TOTAL OTHER EXPENDITURES	<u>\$ 11,218</u>
TOTAL EXPENDITURES	<u>\$ 3,427,611</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
INVESTMENTS
SEPTEMBER 30, 2013**

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	7922900001	Varies	Daily	\$ 118,470	\$
Certificate of Deposit	1002215895	0.40%	07/26/14	240,000	174
Certificate of Deposit	530257	0.45%	02/08/14	240,000	692
Certificate of Deposit	9009010287	0.40%	07/03/14	120,000	118
Certificate of Deposit	179937	0.55%	04/25/14	240,000	571
Certificate of Deposit	1008396390	0.35%	02/11/14	240,000	532
Certificate of Deposit	220001218	0.50%	02/11/14	240,000	769
Certificate of Deposit	20055	0.85%	12/17/13	120,000	802
Certificate of Deposit	3300041043	0.45%	05/09/14	120,000	213
Certificate of Deposit	303124643	0.35%	03/18/14	240,000	451
Certificate of Deposit	2003111	0.32%	11/21/13	120,000	71
Certificate of Deposit	635201	0.73%	01/16/14	120,000	617
Certificate of Deposit	5000526	0.50%	09/21/14	120,000	15
Certificate of Deposit	4129235	0.95%	03/19/14	240,000	1,218
Certificate of Deposit	7435	0.50%	05/01/14	240,000	500
TOTAL GENERAL FUND				<u>\$ 2,758,470</u>	<u>\$ 6,743</u>
<u>DEBT SERVICE FUND</u>					
TexPool	7922900002	Varies	Daily	\$ 105	\$
TexPool	7922900003	Varies	Daily	40,810	
Certificate of Deposit	180034	0.36%	03/20/14	120,000	187
Certificate of Deposit	4129110	0.95%	03/20/14	240,000	1,212
TOTAL DEBT SERVICE FUND				<u>\$ 400,915</u>	<u>\$ 1,399</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	7922900004	Varies	Daily	\$ 112,923	\$
Money Market Mutual Fund	15104300	Varies	Daily	119,062	
Money Market Mutual Fund	752786	Varies	Daily	18,375	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 250,360</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 3,409,745</u>	<u>\$ 8,142</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Maintenance Tax</u>		<u>Contract Tax</u>		<u>Debt Service Tax</u>	
TAXES RECEIVABLE -						
OCTOBER 1, 2012	\$	4,408	\$	1,959	\$	16,344
Adjustments to Beginning						
Balance		<u>(102)</u>	\$	4,306		<u>(203)</u>
				<u>(58)</u>	\$	1,901
						<u>\$ 16,141</u>
Original 2012 Tax Levy	\$	678,786	\$	472,973	\$	1,504,495
Adjustment to 2012 Tax Levy		<u>(13)</u>		<u>678,773</u>		<u>(30)</u>
				<u>(10)</u>		<u>472,963</u>
						<u>\$ 1,504,465</u>
TOTAL TO BE						
ACCOUNTED FOR		\$ 683,079		\$ 474,864		\$ 1,520,606
TAX COLLECTIONS:						
Prior Years	\$	1,112	\$	653	\$	2,347
Current Year		<u>675,930</u>		<u>677,042</u>		<u>1,498,163</u>
				<u>470,982</u>		<u>471,635</u>
						<u>\$ 1,500,510</u>
TAXES RECEIVABLE -						
SEPTEMBER 30, 2013		<u>\$ 6,037</u>		<u>\$ 3,229</u>		<u>\$ 20,096</u>
TAXES RECEIVABLE BY						
YEAR:						
2012		\$ 2,843		\$ 1,981		\$ 6,302
2011		903		513		1,789
2010		718		527		1,976
2009		300		208		807
2008		394				653
2007		334				599
2006		311				592
2005		234				565
2004 and prior		<u> </u>		<u> </u>		<u>6,813</u>
TOTAL		<u>\$ 6,037</u>		<u>\$ 3,229</u>		<u>\$ 20,096</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
PROPERTY VALUATIONS:				
Land	\$ 66,007,174	\$ 65,888,272	\$ 71,265,975	\$ 71,530,278
Improvements	252,298,360	258,127,233	255,837,027	255,072,557
Personal Property	2,490,425	2,403,081	2,066,444	1,895,319
Exemptions	<u>(14,108,528)</u>	<u>(13,953,666)</u>	<u>(13,173,884)</u>	<u>(12,847,004)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 306,687,431</u>	<u>\$ 312,464,920</u>	<u>\$ 315,995,562</u>	<u>\$ 315,651,150</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.4905	\$ 0.4835	\$ 0.5190	\$ 0.5193
Maintenance	0.2213	0.2439	0.1886	0.1928
Contract	<u>0.1542</u>	<u>0.1386</u>	<u>0.1384</u>	<u>0.1339</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.8660</u>	<u>\$ 0.8660</u>	<u>\$ 0.8460</u>	<u>\$ 0.8460</u>
ADJUSTED TAX LEVY*	<u>\$ 2,656,201</u>	<u>\$ 2,706,236</u>	<u>\$ 2,673,495</u>	<u>\$ 2,671,915</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.58 %</u>	<u>99.88 %</u>	<u>99.88 %</u>	<u>99.95 %</u>

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

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

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2013**

REFUNDING SERIES - 2007

Due During Fiscal Years Ending September 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2014	25,000	239,072	264,072
2015	25,000	238,072	263,072
2016	25,000	237,072	262,072
2017	25,000	236,072	261,072
2018	325,000	235,072	560,072
2019	325,000	222,072	547,072
2020	350,000	209,072	559,072
2021	370,000	195,072	565,072
2022	390,000	180,272	570,272
2023	390,000	164,672	554,672
2024	410,000	148,682	558,682
2025	435,000	131,872	566,872
2026	1,175,000	113,820	1,288,820
2027	1,535,000	64,470	1,599,470
	<u>\$ 5,805,000</u>	<u>\$ 2,615,364</u>	<u>\$ 8,420,364</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2013**

REFUNDING SERIES - 2010			
Due During Fiscal Years Ending September 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2014	565,000	296,850	861,850
2015	575,000	285,550	860,550
2016	610,000	268,300	878,300
2017	610,000	250,000	860,000
2018	375,000	225,600	600,600
2019	385,000	210,600	595,600
2020	410,000	195,200	605,200
2021	760,000	178,800	938,800
2022	790,000	148,400	938,400
2023	845,000	116,800	961,800
2024	880,000	83,000	963,000
2025	920,000	47,800	967,800
2026	275,000	11,000	286,000
2027			
	\$ 8,000,000	\$ 2,317,900	\$ 10,317,900

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2013**

REFUNDING SERIES - 2012

Due During Fiscal Years Ending September 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2014	310,000	60,900	370,900
2015	310,000	54,700	364,700
2016	320,000	48,500	368,500
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>\$ 2,345,000</u>	<u>\$ 269,850</u>	<u>\$ 2,614,850</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2013**

**ANNUAL REQUIREMENTS
FOR ALL SERIES**

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2014	900,000	596,822	1,496,822
2015	910,000	578,322	1,488,322
2016	955,000	553,872	1,508,872
2017	965,000	526,572	1,491,572
2018	1,045,000	492,922	1,537,922
2019	1,070,000	454,572	1,524,572
2020	1,130,000	415,372	1,545,372
2021	1,130,000	373,872	1,503,872
2022	1,180,000	328,672	1,508,672
2023	1,235,000	281,472	1,516,472
2024	1,290,000	231,682	1,521,682
2025	1,355,000	179,672	1,534,672
2026	1,450,000	124,820	1,574,820
2027	1,535,000	64,470	1,599,470
	<u>\$ 16,150,000</u>	<u>\$ 5,203,114</u>	<u>\$ 21,353,114</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2012
Block House Municipal Utility District Unlimited Tax Refunding Bonds - Series 2007	\$ 5,930,000	\$ 5,830,000
Block House Municipal Utility District Unlimited Tax Refunding Bonds - Series 2010	9,135,000	8,840,000
Block House Municipal Utility District Unlimited Tax Refunding Bonds - Series 2012	<u>2,640,000</u>	<u>2,640,000</u>
TOTAL	<u><u>\$ 17,705,000</u></u>	<u><u>\$ 17,310,000</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>756,578</u>
Remaining to be Issued	<u><u>\$ 8,520,000</u></u>	<u><u>\$ 24,743,422</u></u>

Debt Service Fund cash, investments and cash with paying agent balances as of September 30, 2013: \$ 699,326

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,525,222

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, 2013</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 25,000	\$ 240,073	\$ 5,805,000	Bank Of Texas Austin, TX
	840,000	313,650	8,000,000	Bank Of Texas Austin, TX
	<u>295,000</u>	<u>67,171</u>	<u>2,345,000</u>	Bank Of Texas Austin, TX
<u>\$ - 0 -</u>	<u>\$ 1,160,000</u>	<u>\$ 620,894</u>	<u>\$ 16,150,000</u>	

See accompanying independent auditor's report.

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

	Amounts		
	2013	2012	2011
REVENUES			
Property Taxes	\$ 1,148,677	\$ 1,193,485	\$ 1,033,970
Service Revenues	2,556,148	2,569,424	2,679,984
Tap Connection and Inspection Fees	1,993	9,749	1,575
Investment Revenues	14,966	15,889	17,913
Miscellaneous Revenues	31,153	27,405	10,615
TOTAL REVENUES	\$ 3,752,937	\$ 3,815,952	\$ 3,744,057
EXPENDITURES			
Professional Fees and Contracted Services	\$ 1,418,706	\$ 1,352,630	\$ 1,332,337
Purchased Water and Wastewater Service	919,965	1,014,070	1,168,953
Utilities	54,031	56,986	58,026
Park/Pool	707,277	574,649	653,341
Repairs and Maintenance	128,918	78,907	60,828
Other	176,105	156,180	163,579
Capital Outlay	22,609	262,205	126,442
TOTAL EXPENDITURES	\$ 3,427,611	\$ 3,495,627	\$ 3,563,506
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 325,326	\$ 320,325	\$ 180,551
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ - 0 -	\$ -0-	\$ 153,646
NET CHANGE IN FUND BALANCE	\$ 325,326	\$ 320,325	\$ 334,197
BEGINNING FUND BALANCE	2,538,135	2,217,810	1,883,613
ENDING FUND BALANCE	\$ 2,863,461	\$ 2,538,135	\$ 2,217,810

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2010	2009	2013	2012	2011	2010	2009
\$ 1,040,966	\$ 1,013,424	30.6 %	31.3 %	27.6 %	32.3 %	31.2 %
2,075,414	2,142,715	68.1	67.3	71.6	64.2	66.1
11,025	5,398	0.1	0.3		0.3	0.2
30,046	30,770	0.4	0.4	0.5	0.9	0.9
74,280	50,277	0.8	0.7	0.3	2.3	1.6
<u>\$ 3,231,731</u>	<u>\$ 3,242,584</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 1,299,340	\$ 1,134,382	37.8 %	35.4 %	35.6 %	40.2 %	35.0 %
1,157,029	992,778	24.5	26.6	31.2	35.8	30.6
55,961	109,248	1.4	1.5	1.5	1.7	3.4
513,326	447,186	18.8	15.1	17.5	15.9	13.8
89,116	140,177	3.4	2.1	1.6	2.8	4.3
76,423	270,239	4.7	4.1	4.4	2.4	8.3
87,634	6,591	0.6	6.9	3.4	2.7	0.2
<u>\$ 3,278,829</u>	<u>\$ 3,100,601</u>	<u>91.2 %</u>	<u>91.7 %</u>	<u>95.2 %</u>	<u>101.5 %</u>	<u>95.6 %</u>
<u>\$ (47,098)</u>	<u>\$ 141,983</u>	<u>8.8 %</u>	<u>8.3 %</u>	<u>4.8 %</u>	<u>(1.5) %</u>	<u>4.4 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ (47,098)	\$ 141,983					
<u>1,930,711</u>	<u>1,788,728</u>					
<u>\$ 1,883,613</u>	<u>\$ 1,930,711</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2013	2012	2011
REVENUES			
Property Taxes	\$ 1,506,177	\$ 1,515,510	\$ 1,649,603
Investment Revenues	<u>4,295</u>	<u>6,276</u>	<u>10,416</u>
TOTAL REVENUES	<u>\$ 1,510,472</u>	<u>\$ 1,521,786</u>	<u>\$ 1,660,019</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 14,782	\$ 15,060	\$ 17,781
Debt Service Principal	1,160,000	1,080,000	990,000
Debt Service Interest and Fees	622,094	643,064	765,846
Bond Issuance Costs	<u> </u>	<u>114,079</u>	<u>368,077</u>
TOTAL EXPENDITURES	<u>\$ 1,796,876</u>	<u>\$ 1,852,203</u>	<u>\$ 2,141,704</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (286,404)</u>	<u>\$ (330,417)</u>	<u>\$ (481,685)</u>
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$	\$ 2,640,000	\$ 9,135,000
Transfer to Refunding Escrow Agent		(2,625,609)	(8,925,506)
Bond Discount		(23,621)	(55,860)
Bond Premium	<u> </u>	<u>125,199</u>	<u>235,359</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ 115,969</u>	<u>\$ 388,993</u>
NET CHANGE IN FUND BALANCE	\$ (286,404)	\$ (214,448)	\$ (92,692)
BEGINNING FUND BALANCE	<u>989,882</u>	<u>1,204,330</u>	<u>1,297,022</u>
ENDING FUND BALANCE	<u>\$ 703,478</u>	<u>\$ 989,882</u>	<u>\$ 1,204,330</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>2,096</u>	<u>2,096</u>	<u>2,096</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>2,092</u>	<u>2,092</u>	<u>2,092</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2010	2009	2013	2012	2011	2010	2009
\$ 1,655,347	\$ 1,680,361	99.7 %	99.6 %	99.4 %	99.0 %	99.0 %
<u>16,544</u>	<u>16,890</u>	<u>0.3</u>	<u>0.4</u>	<u>0.6</u>	<u>1.0</u>	<u>1.0</u>
\$ 1,671,891	\$ 1,697,251	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
\$ 14,810	\$ 16,010	1.0 %	1.0 %	1.1 %	0.9 %	0.9 %
945,000	471,001	76.8	71.0	59.6	56.5	27.8
842,943	1,289,689	41.2	42.3	46.1	50.4	76.0
			<u>7.5</u>	<u>22.2</u>		
\$ 1,802,753	\$ 1,776,700	119.0 %	121.8 %	129.0 %	107.8 %	104.7 %
\$ (130,862)	\$ (79,449)	<u>(19.0) %</u>	<u>(21.8) %</u>	<u>(29.0) %</u>	<u>(7.8) %</u>	<u>(4.7) %</u>
\$	\$					
\$ - 0 -	\$ - 0 -					
\$ (130,862)	\$ (79,449)					
<u>1,427,884</u>	<u>1,507,333</u>					
\$ 1,297,022	\$ 1,427,884					
<u>2,159</u>	<u>2,096</u>					
<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, 2013**

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	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2013	Expense Reimbursements for the year ended September 30, 2013	Title
Terence M. Davis	05/10 11/14 (Elected)	\$ 3,700	\$ 1,397	President
Cecilia A. Roberts	11/12 11/16 (Elected)	\$ 6,700	\$ 249	Vice President
Debra Junk	05/10 11/14 (Elected)	\$ 7,100	\$ 1,507	Secretary
Steve A. Bennett	11/12 11/16 (Elected)	\$ 6,500	\$ 131	Assistant Secretary
Ursula Logan	05/12 11/14 (Appointed)	\$ 7,200	\$ 428	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):
February 27, 2013.

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, 2013**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2013</u>	<u>Title</u>
Armbrust & Brown, PLLC 100 Congress Avenue, Suite 1300 Austin, TX 78701	06/91	\$ 131,991	Attorney
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	08/11	\$ 15,000	Auditor
Municipal Accounts & Consulting, L.P. 8834 N. Capital of Texas Highway, Suite 150 Austin, TX 78759	09/08	\$ 32,623	Bookkeeper
Williamson Central Appraisal District 625 F.M. 1460 Georgetown, TX 78626	Legislative Action	\$ 20,973	Central Appraisal District
Gray & Associates, Inc. 8217 Shoal Creek, Suite 200 Austin, TX 78759	11/92	\$ 50,861	Engineer
Southwest Securities, Inc. 701 Brazos, Suite 400 Austin, TX 78701	05/94	\$ 1,330	Financial Advisor
Crossroads Utility Services 2601 Forest Creek Drive Round Rock, TX 78665	06/09	\$ 338,464	General Manager
Williamson County Tax Assessor/Collector 904 S. Main Street Georgetown, TX 78626	07/99	\$ 631	Tax Assessor/ Collector

See accompanying independent auditor's report.

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT

OTHER SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2013

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2013
(UNAUDITED)

Taxpayers	Tax Roll Year		
	2013	2012	2011
Stoneridge Capital Partners Ltd	\$ 3,587,968	\$ 3,587,968	\$ 3,514,745
Pedernales Electric Cooperative Inc.	1,659,110	1,530,341	1,516,729
Paver Family Enterprises L.P.	1,573,931	1,557,590	1,463,455
McGetrick, Jacqueline	655,131	629,009	642,391
Secretary of Housing & Urban Development			413,050
Staalenburg, Ruben	409,892		
Halstead, Leon & Sharen	355,732	344,552	354,534
McMullen, Stuart M.		312,380	315,033
Roe, Robert R. & Laura A.	300,625		302,467
Aguirre, Armando Mauricio & Deniss Aguirre-Jordan		289,250	
GCC Properties I L.P.			300,415
McPherson, Scott Richard			299,288
Arpad, Sheldon & Diana	430,371	420,534	
Phillips, Tom & Andrea C.	408,700	381,008	
Cohen, Albert & Debra	<u>299,627</u>	<u>285,921</u>	
Total Principal Taxpayers	<u>\$ 9,681,087</u>	<u>\$ 9,338,553</u>	<u>\$ 9,122,107</u>
Percent of Assessed Valuation	<u>3.00%</u>	<u>2.99%</u>	<u>2.88%</u>

Source: Williamson Central Appraisal
District Website

See accompanying independent auditor's report

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
ASSESSED VALUE BY CLASSIFICATION
SEPTEMBER 30, 2013
(UNAUDITED)

Type of Property	Tax Roll Year					
	2013		2012		2011	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Single Family	\$314,951,840	97.78%	\$303,873,952	97.53%	\$308,967,227	97.61%
Commercial	1,573,931	0.49	1,557,590	0.50	1,463,455	0.46
Utilities	1,095,400	0.34	1,766,232	0.57	1,795,224	0.57
Acreage	1,060		1,060		1,060	
Real Inventory					50,325	0.01
Vacant Lot	3,778,688	1.17	3,777,968	1.21	3,600,133	1.14
Tangible Personal, Business	<u>718,027</u>	<u>0.22</u>	<u>603,388</u>	<u>0.19</u>	<u>660,993</u>	<u>0.21</u>
Total	<u>\$ 322,118,946</u>	<u>100.00%</u>	<u>\$ 311,580,190</u>	<u>100.00%</u>	<u>\$316,538,417</u>	<u>100.00%</u>

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

See accompanying independent auditor's report