

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT

WILLIAMSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2015

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT

WILLIAMSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2015

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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 27, 2016**, its annual audit report for the fiscal year or period ended **September 30, 2015** 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 _____, 2016.

(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, 2015, 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, 2015, 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 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 27, 2016

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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, 2015. 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 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 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, 2015**

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 \$5,886,547 as of September 30, 2015. This compares with assets and deferred outflows of resources exceeding liabilities by \$5,230,942 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, 2015, and September 30, 2014:

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2015	2014	Change Positive (Negative)
Current and Other Assets	\$ 5,235,838	\$ 4,878,625	\$ 357,213
Capital Assets (Net of Accumulated Depreciation)	16,085,868	16,725,920	(640,052)
Total Assets	\$ 21,321,706	\$ 21,604,545	\$ (282,839)
Deferred Outflows of Resources	\$ 166,256	\$ 180,701	(14,445)
Long -Term Liabilities	\$ 14,761,430	\$ 15,734,379	\$ 972,949
Other Liabilities	839,985	819,925	(20,060)
Total Liabilities	\$ 15,601,415	\$ 16,554,304	\$ 952,889
Net Position:			
Net Investment in Capital Assets	\$ 1,630,267	\$ 1,345,347	\$ 284,920
Restricted	498,592	499,376	(784)
Unrestricted	3,757,688	3,386,219	371,469
Total Net Position	\$ 5,886,547	\$ 5,230,942	\$ 655,605

*

The District net position increased by \$655,605, accounting for a 12.5% increase in net position. The following table provides a comparative analysis of the District's operations for the years ending September 30, 2015, and September 30, 2014:

	Summary of Changes in the Statement of Activities		
	2015	2014	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,924,851	\$ 2,745,837	\$ 179,014
Charges for Services	2,507,872	2,546,857	(38,985)
Other Revenues	59,724	81,226	(21,502)
Total Revenues	\$ 5,492,447	\$ 5,373,920	\$ 118,527
Expenses for Services	4,836,842	5,292,791	455,949
Change in Net Position	\$ 655,605	\$ 81,129	\$ 574,476
Net Position, Beginning of Year	5,230,942	5,149,813	81,129
Net Position, End of Year	\$ 5,886,547	\$ 5,230,942	\$ 655,605

*

* As Adjusted, Note 14

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2015, were \$4,515,109, an increase of \$372,957 from the prior year.

The General Fund fund balance increased by \$387,286, primarily due to property tax and service revenues exceeding operating expenditures.

The Debt Service Fund fund balance increased by \$19,203, primarily due to the structure of the District's long-term debt.

The Capital Projects Fund fund balance decreased by \$33,532, due to the use of surplus funds for a repairs and maintenance project.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual excess revenues over expenditures were \$769,589 more than budgeted.

CAPITAL ASSETS

The District's capital assets as of September 30, 2015, amount to \$16,085,868 (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			
	2015	2014	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 306,291	\$ 306,291	\$
Construction in Progress	37,836		37,836
Capital Assets, Net of Accumulated Depreciation:			
Common Recreational Areas	950,380	1,146,508	(196,128)
Water, Wastewater and Drainage System	12,077,415	12,418,374	(340,959)
Capital Recovery Fees	2,713,946	2,854,747	(140,801)
Total Net Capital Assets	<u>\$ 16,085,868</u>	<u>\$ 16,725,920</u>	<u>\$ (640,052)</u>

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

LONG-TERM DEBT ACTIVITY

As of September 30, 2015, the District had total bond debt payable of \$14,425,000. The changes in the debt position of the District during the fiscal year ended September 30, 2015, are summarized as follows:

Bond Debt Payable, October 1, 2014	\$ 15,360,000
Less: Bond Principal Paid	<u>935,000</u>
Bond Debt Payable, September 30, 2015	<u>\$ 14,425,000</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 Series 2014 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, 2015.

The ratio of the District's long-term debt to the total taxable assessed valuation (\$346,885,996) is 4.16%. The District's estimated population, as provided by the District, as of November 1, 2015, is 7,536.

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, 2015**

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 233,463	\$
Investments	3,566,643	481,418
Cash with Paying Agent		250,950
Receivables:		
Property Taxes	7,659	16,802
Service Accounts (Net of Allowance for Uncollectible Accounts of \$2,500)	417,584	
Accrued Interest	7,364	1,354
Other	258	
Due from Other Funds		749
Prepaid Costs	5,537	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 4,238,508</u>	<u>\$ 751,273</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,238,508</u>	<u>\$ 751,273</u>

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>
\$	\$	\$	\$
139,573	233,463		233,463
	4,187,634		4,187,634
	250,950		250,950
	24,461		24,461
	417,584		417,584
	8,718		8,718
	258		258
	749	(749)	
	5,537	107,233	112,770
		306,291	306,291
		37,836	37,836
		15,741,741	15,741,741
<u>\$ 139,573</u>	<u>\$ 5,129,354</u>	<u>\$ 16,192,352</u>	<u>\$ 21,321,706</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 166,256</u>	<u>\$ 166,256</u>
<u>\$ 139,573</u>	<u>\$ 5,129,354</u>	<u>\$ 16,358,608</u>	<u>\$ 21,487,962</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, 2015**

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 221,002	\$ 1,731
Accrued Interest Payable		
Due to Other Funds	749	
Security Deposits	366,302	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 588,053</u>	<u>\$ 1,731</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 7,659</u>	<u>\$ 16,802</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 5,537	\$
Restricted for Authorized Construction		
Restricted for Debt Service		732,740
Assigned to 2016 Budget Deficit	491,769	
Unassigned	<u>3,145,490</u>	
TOTAL FUND BALANCES	<u>\$ 3,642,796</u>	<u>\$ 732,740</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 4,238,508</u>	<u>\$ 751,273</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>
\$	\$ 222,733	\$	\$ 222,733
		250,950	250,950
	749	(749)	
	366,302		366,302
		980,000	980,000
		13,781,430	13,781,430
<u>\$ -0-</u>	<u>\$ 589,784</u>	<u>\$ 15,011,631</u>	<u>\$ 15,601,415</u>
<u>\$ -0-</u>	<u>\$ 24,461</u>	<u>\$ (24,461)</u>	<u>\$ -0-</u>
\$	\$ 5,537	\$ (5,537)	\$
139,573	139,573	(139,573)	
	732,740	(732,740)	
	491,769	(491,769)	
	3,145,490	(3,145,490)	
<u>\$ 139,573</u>	<u>\$ 4,515,109</u>	<u>\$ (4,515,109)</u>	<u>\$ - 0 -</u>
<u>\$ 139,573</u>	<u>\$ 5,129,354</u>		
		\$ 1,630,267	\$ 1,630,267
		498,592	498,592
		3,757,688	3,757,688
		<u>\$ 5,886,547</u>	<u>\$ 5,886,547</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, 2015**

Total Fund Balances - Governmental Funds \$ 4,515,109

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. 166,256

Prepaid bond insurance costs are amortized over the term of the debt in governmental activities. 107,233

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. 16,085,868

Deferred tax revenues on delinquent taxes for the 2014 and prior tax levies became part of recognized revenue in the governmental activities of the District. 24,461

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	\$ (250,950)	
Bonds Payable	<u>(14,761,430)</u>	<u>(15,012,380)</u>

Total Net Position - Governmental Activities \$ 5,886,547

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, 2015

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,486,745	\$ 1,448,755
Water Service	684,843	
Wastewater Service	451,723	
Park Fee	259,222	
Basic Services	1,043,381	
Penalty and Interest	61,884	4,713
Tap Connection and Inspection Fees	2,106	
Investment Revenues	15,086	3,382
Miscellaneous Revenues	41,181	7
TOTAL REVENUES	\$ 4,046,171	\$ 1,456,857
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 247,707	\$
Contracted Services	1,332,978	1,600
Purchased Water Service	578,880	
Purchased Wastewater Service	283,600	
Utilities	50,126	
Park/Pool	728,530	
Repairs and Maintenance	79,840	
Depreciation		
Other	201,058	356
Capital Outlay	156,166	
Debt Service:		
Bond Principal		935,000
Bond Interest		500,698
TOTAL EXPENDITURES/EXPENSES	\$ 3,658,885	\$ 1,437,654
NET CHANGE IN FUND BALANCES	\$ 387,286	\$ 19,203
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2014, AS ADJUSTED	3,255,510	713,537
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2015	\$ 3,642,796	\$ 732,740

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,935,500	\$ (10,649)	\$ 2,924,851
	684,843		684,843
	451,723		451,723
	259,222		259,222
	1,043,381		1,043,381
	66,597		66,597
	2,106		2,106
68	18,536		18,536
	41,188		41,188
\$ 68	\$ 5,503,096	\$ (10,649)	\$ 5,492,447
\$	\$ 247,707	\$	\$ 247,707
	1,334,578		1,334,578
	578,880		578,880
	283,600		283,600
	50,126		50,126
	728,530		728,530
33,600	113,440		113,440
		796,218	796,218
	201,414		201,414
	156,166	(156,166)	
	935,000	(935,000)	
	500,698	1,651	502,349
\$ 33,600	\$ 5,130,139	\$ (293,297)	\$ 4,836,842
\$ (33,532)	\$ 372,957	\$ (372,957)	\$
		655,605	655,605
173,105	4,142,152	1,088,790	5,230,942
\$ 139,573	\$ 4,515,109	\$ 1,371,438	\$ 5,886,547

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, 2015**

Net Change in Fund Balances - Governmental Funds	\$	372,957
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.		(10,649)
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.		(796,218)
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.		156,166
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.		935,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		(1,651)
Change in Net Position - Governmental Activities	\$	<u>655,605</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, 2015

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, 2015

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, 2015

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, 2015**

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, 2015

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, 2015, the District has assigned \$491,769 of the General Fund fund balance to use for a budgeted General Fund deficit during the year ended September 30, 2016.

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, 2015

NOTE 3. LONG – TERM DEBT

	<u>Refunding Series 2007</u>	<u>Refunding Series 2010</u>
Amounts Outstanding – September 30, 2015	\$ 25,000	\$ 6,860,000
Interest Rates	4.00%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	April 1, 2016	April 1, 2016/2026
Interest Payment Dates	October 1/April 1	October 1/April 1
Callable Dates	April 1, 2014*	April 1, 2016*
	<u>Refunding Series 2012</u>	<u>Refunding Series 2014</u>
Amounts Outstanding – September 30, 2015	\$ 1,725,000	\$ 5,815,000
Interest Rates	2.50% - 3.00%	2.00% - 3.50%
Maturity Dates – Serially Beginning/Ending	April 1, 2016/2020	April 1, 2016/2027
Interest Payment Dates	October 1/April 1	October 1/April 1
Callable Dates	April 1, 2018*	April 1, 2020*

* 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, 2015:

	<u>October 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30, 2015</u>
Bonds Payable	\$ 15,360,000	\$	\$ 935,000	\$ 14,425,000
Unamortized Discounts	(57,722)		(6,552)	(51,170)
Unamortized Premiums	432,101		44,501	387,600
Bonds Payable, Net	<u>\$ 15,734,379</u>	<u>\$ -0-</u>	<u>\$ 972,949</u>	<u>\$ 14,761,430</u>
		Amount Due Within One Year		\$ 980,000
		Amount Due After One Year		13,781,430
		Bonds Payable, Net		<u>\$ 14,761,430</u>

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 3. LONG – TERM DEBT (Continued)

As of September 30, 2015, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 980,000	\$ 501,900	\$ 1,481,900
2017	990,000	474,100	1,464,100
2018	1,065,000	440,450	1,505,450
2019	1,085,000	408,200	1,493,200
2020	1,145,000	373,500	1,518,500
2021-2025	6,205,000	1,238,900	7,443,900
2026-2027	2,955,000	157,826	3,112,826
	<u>\$ 14,425,000</u>	<u>\$ 3,594,876</u>	<u>\$ 18,019,876</u>

As of September 30, 2015, the District has authorized but unissued tax bonds in the amount of \$8,520,000 and available refunding bonds authorization of \$24,502,092. 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, 2015, the District levied an ad valorem debt service tax rate of \$0.4154 per \$100 of assessed valuation, which resulted in a tax levy of \$1,442,587 on the adjusted taxable valuation of \$346,885,966 for the 2014 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, 2015**

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 \$4,033,463 and the bank balance was \$4,200,719. Of the bank balance, \$4,078,509 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, 2015, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 233,463	\$ 3,360,000	\$ 3,593,463
DEBT SERVICE FUND		440,000	440,000
TOTAL DEPOSITS	\$ 233,463	\$ 3,800,000	\$ 4,033,463

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, 2015

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, 2015, 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	\$ 206,643	\$ 206,643	\$	\$	\$
Certificates of Deposit	3,360,000	3,360,000			
<u>DEBT SERVICE FUND</u>					
TexPool	41,418	41,418			
Certificates of Deposit	440,000	440,000			
<u>CAPITAL PROJECTS FUND</u>					
TexPool	139,573	139,573			
TOTAL INVESTMENTS	\$ 4,187,634	\$ 4,187,634	\$ - 0 -	\$ - 0 -	\$ - 0 -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2015, the District's investment in TexPool was rated AAAM by Standard and Poor's.

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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.

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, 2015:

	October 1, 2014	Increases	Decreases	September 30, 2015
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 306,291	\$	\$	\$ 306,291
Construction in Progress		156,166	118,330	37,836
Total Capital Assets Not Being Depreciated	<u>\$ 306,291</u>	<u>\$ 156,166</u>	<u>\$ 118,330</u>	<u>\$ 344,127</u>
Capital Assets Subject to Depreciation				
Common Recreational Areas	\$ 4,980,195	\$ 88,800	\$ 61,950	\$ 5,007,045
Water, Wastewater and Drainage System	18,047,615	29,530		18,077,145
Capital Recovery Fees	4,613,743			4,613,743
Total Capital Assets Subject to Depreciation	<u>\$ 27,641,553</u>	<u>\$ 118,330</u>	<u>\$ 61,950</u>	<u>\$ 27,697,933</u>
Less Accumulated Depreciation				
Common Recreational Areas	\$ 3,833,687	\$ 241,354	\$ 18,376	\$ 4,056,665
Water, Wastewater and Drainage System	5,629,241	370,489		5,999,730
Capital Recovery Fees	1,758,996	140,801		1,899,797
Total Accumulated Depreciation	<u>\$ 11,221,924</u>	<u>\$ 752,644</u>	<u>\$ 18,376</u>	<u>\$ 11,956,192</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 16,419,629</u>	<u>\$ (634,314)</u>	<u>\$ 43,574</u>	<u>\$ 15,741,741</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 16,725,920</u>	<u>\$ (478,148)</u>	<u>\$ 161,904</u>	<u>\$ 16,085,868</u>

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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, 2015, the District levied an ad valorem maintenance tax rate of \$0.2819 per \$100 of assessed valuation, which resulted in a tax levy of \$978,972 on the adjusted taxable valuation of \$346,885,966 for the 2014 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, 2015, the District levied a contract tax rate of \$0.145, which resulted in a tax levy of \$503,551 on the adjusted taxable valuation of \$346,885,966 for the 2014 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 \$3.03 per 1,000 gallons purchased. During the current fiscal year, the District recorded an expenditure of \$578,880 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 \$283,600 for purchased wastewater services.

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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. INTERFUND RECEIVABLES/PAYABLES

As of September 30, 2015, the District has the following interfund payables and receivables: the General Fund owes the Debt Service Fund \$749 for an excess transfer of maintenance tax collections.

NOTE 13. USE OF SURPLUS FUNDS

On March 9, 2004, the Commission approved the use of surplus funds in the amount of \$150,000 for rehabilitation and improvement of the drainage ways in the District. During the current fiscal year, the District expended \$33,600 of surplus funds on related projects.

NOTE 14. PRIOR PERIOD ADJUSTMENT

The District adjusted its government-wide financial statement to better reflect accounting standards pertaining to deferred charges on refunding bonds issued in prior years. The effect of this adjustment is as follows:

Net Position – October 1, 2014	\$ 5,050,241
Effect of Adjustment	<u>180,701</u>
Net Position – October 1, 2014, As adjusted	<u>\$ 5,230,942</u>

NOTE 15. SUBSEQUENT EVENT – REFUNDING BOND SALE

On January 14, 2016, subsequent to year end, the District issued \$5,800,000 of Series 2016 Unlimited Tax Refunding Bonds to refund a portion of the Series 2010 Unlimited Tax Refunding Bonds in the amount of \$5,640,000.

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2015

**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, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 1,479,114	\$ 1,486,745	\$ 7,631
Water Service	690,000	684,843	(5,157)
Wastewater Service	477,000	451,723	(25,277)
Park Fee	258,000	259,222	1,222
Basic Services	1,038,000	1,043,381	5,381
Penalty and Interest	75,900	61,884	(14,016)
Tap Connection and Inspection Fees	1,500	2,106	606
Investment Revenues	12,500	15,086	2,586
Miscellaneous Revenues	6,500	41,181	34,681
TOTAL REVENUES	<u>\$ 4,038,514</u>	<u>\$ 4,046,171</u>	<u>\$ 7,657</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 192,500	\$ 247,707	\$ (55,207)
Contracted Services	1,345,393	1,332,978	12,415
Purchased Water Service	680,000	578,880	101,120
Purchased Wastewater Service	325,000	283,600	41,400
Utilities	57,600	50,126	7,474
Park/Pool	757,324	728,530	28,794
Repairs and Maintenance	200,000	79,840	120,160
Other	248,000	201,058	46,942
Capital Outlay	615,000	156,166	458,834
TOTAL EXPENDITURES	<u>\$ 4,420,817</u>	<u>\$ 3,658,885</u>	<u>\$ 761,932</u>
NET CHANGE IN FUND BALANCE	\$ (382,303)	\$ 387,286	\$ 769,589
FUND BALANCE - OCTOBER 1, 2014	<u>3,255,510</u>	<u>3,255,510</u>	
FUND BALANCE - SEPTEMBER 30, 2015	<u>\$ 2,873,207</u>	<u>\$ 3,642,796</u>	<u>\$ 769,589</u>

See accompanying independent auditor's report.

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**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2015**

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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: Regulatory Assessment Fee	\$0.05% of water and wastewater bill				

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, 2015**

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	<u>1</u>	<u>1</u>	x 1.0	<u>1</u>
≤3/4"	<u>2,167</u>	<u>2,152</u>	x 1.0	<u>2,152</u>
1"	<u>2</u>	<u>2</u>	x 2.5	<u>5</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"	<u> </u>	<u> </u>	x 25.0	<u> </u>
6"	<u> </u>	<u> </u>	x 50.0	<u> </u>
8"	<u> </u>	<u> </u>	x 80.0	<u> </u>
10"	<u> </u>	<u> </u>	x 115.0	<u> </u>
Total Water Connections	<u>2,177</u>	<u>2,162</u>		<u>2,218</u>
Total Wastewater Connections	<u>2,151</u>	<u>2,142</u>	x 1.0	<u>2,142</u>

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

Gallons billed to customers: 180,878,000 Water Accountability Ratio: 94.6%
 (Gallons billed/Gallons purchased)

Gallons purchased: 191,278,000 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, 2015**

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 extra territorial 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, 2015**

PROFESSIONAL FEES:	
Auditing	\$ 15,750
Engineering	32,448
Legal	<u>199,509</u>
TOTAL PROFESSIONAL FEES	<u>\$ 247,707</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 578,880
Purchased Wastewater Service	<u>283,600</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 862,480</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 22,433
Bookkeeping	40,975
Operations and Billing	<u>230,001</u>
TOTAL CONTRACTED SERVICES	<u>\$ 293,409</u>
UTILITIES:	
Electricity	\$ 50,087
Telephone	<u>39</u>
TOTAL UTILITIES	<u>\$ 50,126</u>
REPAIRS AND MAINTENANCE	<u>\$ 79,840</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 32,550
Election Costs	10,176
Insurance	15,369
Legal Notices	504
Office Supplies and Postage	36,216
Payroll Taxes	9,511
Travel and Meetings	5,298
Other	<u>70,458</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 180,082</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

CAPITAL OUTLAY:	
Capitalized Assets	\$ 156,166
Expenditures Not Capitalized	<u> </u>
TOTAL CAPITAL OUTLAY	<u>\$ 156,166</u>
SOLID WASTE DISPOSAL	<u>\$ 421,907</u>
SECURITY	<u>\$ 112,309</u>
PARKS AND RECREATION	<u>\$ 728,530</u>
FIRE FIGHTING	<u>\$ 505,353</u>
OTHER EXPENDITURES:	
Permit Fees	\$ 4,843
Regulatory Assessment	<u>16,133</u>
TOTAL OTHER EXPENDITURES	<u>\$ 20,976</u>
TOTAL EXPENDITURES	<u>\$ 3,658,885</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
INVESTMENTS
SEPTEMBER 30, 2015**

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	\$ 206,643	\$
Certificate of Deposit	XXXX5895	0.50%	07/25/16	120,000	105
Certificate of Deposit	XXXX3950	0.30%	10/09/15	120,000	351
Certificate of Deposit	XXXX0317	0.40%	04/15/16	240,000	439
Certificate of Deposit	XXXX1684	0.50%	06/06/16	240,000	382
Certificate of Deposit	XXXX1043	0.50%	05/06/16	120,000	238
Certificate of Deposit	XXXX7131	0.38%	04/25/16	240,000	395
Certificate of Deposit	XXXX0257	0.60%	02/08/16	240,000	923
Certificate of Deposit	XXXX7644	0.45%	11/21/15	120,000	463
Certificate of Deposit	XXXX3261	0.40%	04/23/16	120,000	210
Certificate of Deposit	XXXX7124	0.60%	03/20/16	240,000	765
Certificate of Deposit	XXXX8797	0.40%	04/15/16	240,000	439
Certificate of Deposit	XXXX3858	0.50%	01/16/16	120,000	423
Certificate of Deposit	XXXX8346	0.30%	05/01/16	240,000	316
Certificate of Deposit	XXXX3194	0.75%	08/05/16	240,000	271
Certificate of Deposit	XXXX7435	0.30%	04/29/16	240,000	300
Certificate of Deposit	XXXX0757	0.75%	03/19/16	240,000	962
Certificate of Deposit	XXXX5007	0.50%	06/05/16	240,000	382
TOTAL GENERAL FUND				<u>\$ 3,566,643</u>	<u>\$ 7,364</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 263	\$
TexPool	XXXX0003	Varies	Daily	41,155	
Certificate of Deposit	XXXX3927	0.45%	03/20/16	200,000	412
Certificate of Deposit	XXXX1359	0.75%	03/22/16	240,000	942
TOTAL DEBT SERVICE FUND				<u>\$ 481,418</u>	<u>\$ 1,354</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0004	Varies	Daily	\$ 139,573	\$ -0-
TOTAL - ALL FUNDS				<u>\$ 4,187,634</u>	<u>\$ 8,718</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Maintenance Tax</u>		<u>Contract Tax</u>		<u>Debt Service Tax</u>
TAXES RECEIVABLE -					
OCTOBER 1, 2014	\$ 7,711		\$ 4,287		\$ 23,112
Adjustments to Beginning					
Balance	<u>(70)</u>	\$ 7,641	<u>(47)</u>	\$ 4,240	<u>(142)</u> \$ 22,970
Original 2014 Tax Levy	\$ 981,534		\$ 504,869		\$ 1,446,361
Adjustment to 2014 Tax Levy	<u>(2,562)</u>	<u>978,972</u>	<u>(1,318)</u>	<u>503,551</u>	<u>(3,774)</u> <u>1,442,587</u>
TOTAL TO BE					
ACCOUNTED FOR		\$ 986,613		\$ 507,791	\$ 1,465,557
TAX COLLECTIONS:					
Prior Years	\$ 3,706		\$ 2,464		\$ 8,064
Current Year	<u>977,686</u>	<u>981,392</u>	<u>502,889</u>	<u>505,353</u>	<u>1,440,691</u> <u>1,448,755</u>
TAXES RECEIVABLE -					
SEPTEMBER 30, 2015		<u>\$ 5,221</u>		<u>\$ 2,438</u>	<u>\$ 16,802</u>
TAXES RECEIVABLE BY					
YEAR:					
2014		\$ 1,286		\$ 662	\$ 1,896
2013		549		365	1,109
2012		722		503	1,599
2011		606		344	1,201
2010		486		356	1,337
2009		300		208	807
2008		394			652
2007		334			599
2006 and prior		<u>544</u>			<u>7,602</u>
TOTAL		<u>\$ 5,221</u>		<u>\$ 2,438</u>	<u>\$ 16,802</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	2014	2013	2012	2011
PROPERTY VALUATIONS:				
Land	\$ 70,941,965	\$ 70,833,804	\$ 66,007,174	\$ 65,888,272
Improvements	302,582,112	258,466,166	252,298,360	258,127,233
Personal Property	3,626,373	2,691,513	2,490,425	2,403,081
Exemptions	(30,264,484)	(14,815,133)	(14,108,528)	(13,953,666)
TOTAL PROPERTY VALUATIONS (a)	\$ 346,885,966	\$ 317,176,350	\$ 306,687,431	\$ 312,464,920
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.4154	\$ 0.4747	\$ 0.4905	\$ 0.4835
Maintenance	0.2819	0.2349	0.2213	0.2439
Contract	0.1450	0.1564	0.1542	0.1386
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.8423	\$ 0.8660	\$ 0.8660	\$ 0.8660
ADJUSTED TAX LEVY*	\$ 2,925,110	\$ 2,746,225	\$ 2,656,201	\$ 2,706,236
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED**	99.87 %	99.93 %	99.89 %	99.92 %

* 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, 2015**

REFUNDING SERIES - 2007

Due During Fiscal Years Ending September 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2016	\$ 25,000	\$ 1,000	\$ 26,000
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
	<u>\$ 25,000</u>	<u>\$ 1,000</u>	<u>\$ 26,000</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2015**

REFUNDING SERIES - 2010

Due During Fiscal Years Ending September 30	Principal Due April 1	Interest Due October 1/ April 1	Total
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			
	<u>\$ 6,860,000</u>	<u>\$ 1,735,500</u>	<u>\$ 8,595,500</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2015**

REFUNDING SERIES - 2012

Due During Fiscal Years Ending September 30	Principal Due April 1	Interest Due October 1/ April 1	Total
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>\$ 1,725,000</u>	<u>\$ 154,250</u>	<u>\$ 1,879,250</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2015**

REFUNDING SERIES - 2014

Due During Fiscal Years Ending September 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2016	\$ 25,000	\$ 184,100	\$ 209,100
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>\$ 5,815,000</u>	<u>\$ 1,704,126</u>	<u>\$ 7,519,126</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2015**

**ANNUAL REQUIREMENTS
FOR ALL SERIES**

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2016	\$ 980,000	\$ 501,900	\$ 1,481,900
2017	990,000	474,100	1,464,100
2018	1,065,000	440,450	1,505,450
2019	1,085,000	408,200	1,493,200
2020	1,145,000	373,500	1,518,500
2021	1,140,000	335,050	1,475,050
2022	1,185,000	293,250	1,478,250
2023	1,240,000	249,800	1,489,800
2024	1,290,000	204,150	1,494,150
2025	1,350,000	156,650	1,506,650
2026	1,440,000	104,800	1,544,800
2027	1,515,000	53,026	1,568,026
	<u>\$ 14,425,000</u>	<u>\$ 3,594,876</u>	<u>\$ 18,019,876</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2014
Block House Municipal Utility District Unlimited Tax Refunding Bonds - Series 2007	\$ 5,930,000	\$ 50,000
Block House Municipal Utility District Unlimited Tax Refunding Bonds - Series 2010	9,135,000	7,435,000
Block House Municipal Utility District Unlimited Tax Refunding Bonds - Series 2012	2,640,000	2,035,000
Block House Municipal Utility District Unlimited Tax Refunding Bonds - Series 2014	<u>5,840,000</u>	<u>5,840,000</u>
TOTAL	<u><u>\$ 23,545,000</u></u>	<u><u>\$ 15,360,000</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>997,908</u>
Remaining to be Issued	<u>\$ 8,520,000</u>	<u>\$ 24,502,092</u>

Debt Service Fund cash, investments and cash with paying agent balances as of
September 30, 2015: \$ 732,368

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 1,501,656

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, 2015</u>	<u>Paying Agent</u>	
	<u>Principal</u>	<u>Interest</u>			
\$	\$ 25,000	\$ 2,000	\$ 25,000	Bank Of Texas Austin, TX	
	575,000	285,550	6,860,000	Bank Of Texas Austin, TX	
	310,000	54,700	1,725,000	Bank Of Texas Austin, TX	
	<u>25,000</u>	<u>158,448</u>	<u>5,815,000</u>	Bank Of Texas Austin, TX	
<u>\$ - 0 -</u>	<u>\$ 935,000</u>	<u>\$ 500,698</u>	<u>\$ 14,425,000</u>		

See accompanying independent auditor's report.

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

	Amounts		
	2015	2014	2013
REVENUES			
Property Taxes	\$ 1,486,745	\$ 1,237,975	\$ 1,148,677
Service Revenues	2,501,053	2,537,176	2,556,148
Tap Connection and Inspection Fees	2,106	3,306	1,993
Investment Revenues	15,086	13,472	14,966
Miscellaneous Revenues	41,181	65,219	31,153
TOTAL REVENUES	\$ 4,046,171	\$ 3,857,148	\$ 3,752,937
EXPENDITURES			
Professional Fees and Contracted Services	\$ 1,580,685	\$ 1,491,236	\$ 1,418,706
Purchased Water and Wastewater Service	862,480	911,429	919,965
Utilities	50,126	56,549	54,031
Park/Pool	728,530	733,052	707,277
Repairs and Maintenance	79,840	114,037	128,918
Other	201,058	158,796	176,105
Capital Outlay	156,166		22,609
TOTAL EXPENDITURES	\$ 3,658,885	\$ 3,465,099	\$ 3,427,611
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 387,286	\$ 392,049	\$ 325,326
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ -0-	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 387,286	\$ 392,049	\$ 325,326
BEGINNING FUND BALANCE	3,255,510	2,863,461	2,538,135
ENDING FUND BALANCE	\$ 3,642,796	\$ 3,255,510	\$ 2,863,461

See accompanying independent auditor's report.

		Percentage of Total Revenue				
<u>2012</u>	<u>2011</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 1,193,485	\$ 1,033,970	36.7 %	32.1 %	30.6 %	31.3 %	27.6 %
2,569,424	2,679,984	61.8	65.8	68.1	67.3	71.6
9,749	1,575	0.1	0.1	0.1	0.3	
15,889	17,913	0.4	0.3	0.4	0.4	0.5
<u>27,405</u>	<u>10,615</u>	<u>1.0</u>	<u>1.7</u>	<u>0.8</u>	<u>0.7</u>	<u>0.3</u>
\$ <u>3,815,952</u>	\$ <u>3,744,057</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 1,352,630	\$ 1,332,337	39.1 %	38.7 %	37.8 %	35.4 %	35.6 %
1,014,070	1,168,953	21.3	23.6	24.5	26.6	31.2
56,986	58,026	1.2	1.5	1.4	1.5	1.5
574,649	653,341	18.0	19.0	18.8	15.1	17.5
78,907	60,828	2.0	3.0	3.4	2.1	1.6
156,180	163,579	5.0	4.1	4.7	4.1	4.4
<u>262,205</u>	<u>126,442</u>	<u>3.9</u>		<u>0.6</u>	<u>6.9</u>	<u>3.4</u>
\$ <u>3,495,627</u>	\$ <u>3,563,506</u>	<u>90.5 %</u>	<u>89.9 %</u>	<u>91.2 %</u>	<u>91.7 %</u>	<u>95.2 %</u>
\$ <u>320,325</u>	\$ <u>180,551</u>	<u>9.5 %</u>	<u>10.1 %</u>	<u>8.8 %</u>	<u>8.3 %</u>	<u>4.8 %</u>
\$ <u>-0-</u>	\$ <u>153,646</u>					
\$ 320,325	\$ 334,197					
<u>2,217,810</u>	<u>1,883,613</u>					
\$ <u>2,538,135</u>	\$ <u>2,217,810</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2015	2014	2013
REVENUES			
Property Taxes	\$ 1,453,468	\$ 1,508,489	\$ 1,506,177
Investment Revenues	3,382	2,490	4,295
Miscellaneous Revenues	7		
TOTAL REVENUES	\$ 1,456,857	\$ 1,510,979	\$ 1,510,472
EXPENDITURES			
Tax Collection Expenditures	\$ 356	\$ 3,469	\$ 14,782
Debt Service Principal	935,000	900,000	1,160,000
Debt Service Interest and Fees	502,298	598,022	622,094
Bond Issuance Costs		228,322	
TOTAL EXPENDITURES	\$ 1,437,654	\$ 1,729,813	\$ 1,796,876
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 19,203	\$ (218,834)	\$ (286,404)
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$	\$ 5,840,000	\$
Transfer to Refunding Escrow Agent		(5,788,362)	
Bond Discount			
Bond Premium		177,255	
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ 228,893	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 19,203	\$ 10,059	\$ (286,404)
BEGINNING FUND BALANCE	713,537	703,478	989,882
ENDING FUND BALANCE	\$ 732,740	\$ 713,537	\$ 703,478
TOTAL ACTIVE RETAIL WATER CONNECTIONS	2,162	2,168	2,096
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	2,142	2,142	2,092

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2012	2011	2015	2014	2013	2012	2011
\$ 1,515,510	\$ 1,649,603	99.8 %	99.8 %	99.7 %	99.6 %	99.4 %
6,276	10,416	0.2	0.2	0.3	0.4	0.6
<u>\$ 1,521,786</u>	<u>\$ 1,660,019</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 15,060	\$ 17,781	%	0.2 %	1.0 %	1.0 %	1.1 %
1,080,000	990,000	64.2	59.6	76.8	71.0	59.6
643,064	765,846	34.5	39.6	41.2	42.3	46.1
114,079	368,077		15.1		7.5	22.2
<u>\$ 1,852,203</u>	<u>\$ 2,141,704</u>	<u>98.7 %</u>	<u>114.5 %</u>	<u>119.0 %</u>	<u>121.8 %</u>	<u>129.0 %</u>
<u>\$ (330,417)</u>	<u>\$ (481,685)</u>	<u>1.3 %</u>	<u>(14.5) %</u>	<u>(19.0) %</u>	<u>(21.8) %</u>	<u>(29.0) %</u>
\$ 2,640,000	\$ 9,135,000					
(2,625,609)	(8,925,506)					
(23,621)	(55,860)					
125,199	235,359					
<u>\$ 115,969</u>	<u>\$ 388,993</u>					
\$ (214,448)	\$ (92,692)					
1,204,330	1,297,022					
<u>\$ 989,882</u>	<u>\$ 1,204,330</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, 2015**

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, 2015	Expense Reimbursements for the year ended September 30, 2015	Title
Debra Junk	11/14 11/18 (Elected)	\$ 6,600	\$ 1,387	President
Cecilia A. Roberts	11/12 11/16 (Elected)	\$ 7,150	\$ 536	Vice President
Steve A. Bennett	11/12 11/16 (Elected)	\$ 7,200	\$ 1,140	Treasurer
Ursula Logan	11/14 11/18 (Elected)	\$ 7,200	\$ 45	Secretary
Vanessa Longoria-Carter	11/14 11/18 (Elected)	\$ 3,950	\$ -0-	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 19, 2014.

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, 2015**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2015</u>	<u>Title</u>
Armbrust & Brown, PLLC	06/91	\$ 215,622	Attorney
McCall Gibson Swedlund Barfoot PLLC	08/11	\$ 15,750	Auditor
Municipal Accounts & Consulting, L.P.	09/08	\$ 41,101	Bookkeeper
Gray & Associates, Inc.	11/92	\$ 14,981	Engineer
Public Finance Group LLC	03/14	\$ -0-	Financial Advisor
Crossroads Utility Services	06/09	\$ 301,263	General Manager
Williamson County Tax Assessor/Collector	07/99	\$ 545	Tax Assessor/ Collector

See accompanying independent auditor's report.

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BLOCK HOUSE MUNICIPAL UTILITY DISTRICT

OTHER SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2015

BLOCK HOUSE MUNICIPAL UTILITY DISTRICT
PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2015
(UNAUDITED)

Taxpayers	Tax Roll Year		
	2015	2014	2013
Stoneridge Capital Partners Ltd	\$	\$ 3,645,666	\$ 3,587,968
Pedernales Electric Cooperative Inc.	2,224,078	1,788,712	1,659,110
Paver Family Enterprises L.P.	1,594,058	1,578,795	1,573,931
McGetrick, Jacqueline	811,088	753,684	655,131
Decker, Shannon M.	662,255		
Staalenburg, Ruben	506,256	456,241	409,892
Halstead, Leon & Sharen			355,732
Wang, Xueying	389,718		
Roe, Robert R. & Laura A.	370,396	344,882	300,625
Heitkoetter, Markus	372,302	347,648	
GCC Properties I L.P.		337,718	
Arpad, Sheldon & Diana	545,770	497,386	430,371
Phillips, Tom & Andrea C.			408,700
Cohen, Albert & Debra	<u>372,780</u>	<u>346,687</u>	<u>299,627</u>
Total Principal Taxpayers	<u>\$ 7,848,701</u>	<u>\$ 10,097,419</u>	<u>\$ 9,681,087</u>
Percent of Assessed Valuation	<u>2.06%</u>	<u>2.91%</u>	<u>3.05%</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, 2015
(UNAUDITED)

Type of Property	Tax Roll Year					
	2015		2014		2013	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Single Family	\$391,528,682	102.76%	\$358,407,845	103.32%	\$314,951,840	99.30%
Commercial	1,594,058	0.42	1,578,795	0.46	1,573,931	0.50
Utilities	276,009	0.07	1,788,712	0.52	1,095,400	0.34
Acreage	3,772,089	0.99	1,060		1,060	
Vacant Lot	193,140	0.05	190,720	0.05	3,778,688	1.19
Tangible Personal, Business	300,587	0.08	320,073	0.09	718,027	0.23
Less: Adjustments	<u>(16,670,169)</u>	<u>(4.37)</u>	<u>(15,401,239)</u>	<u>(4.44)</u>	<u>(4,942,596)</u>	<u>(1.56)</u>
Total	<u>\$380,994,396</u>	<u>100.00%</u>	<u>\$346,885,966</u>	<u>100.00%</u>	<u>\$ 317,176,350</u>	<u>100.00%</u>

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

See accompanying independent auditor's report

