

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
MONTGOMERY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
MAY 31, 2017

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2017

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McCALL GIBSON SWEDLUND BARFOOT PLLC

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rayford Road Municipal Utility District
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Rayford Road Municipal Utility District (the "District"), as of and for the year ended May 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of May 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

September 11, 2017

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2017**

Management's discussion and analysis of Rayford Road Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended May 31, 2017. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes 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 Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has 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 taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2017**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The 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 \$10,511,153 as of May 31, 2017.

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

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

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Postion		
	2017	2016	Change Positive (Negative)
Current and Other Assets	\$ 5,857,895	\$ 5,698,290	\$ 159,605
Capital Assets (Net of Accumulated Depreciation)	25,803,553	28,361,716	(2,558,163)
Total Assets	<u>\$ 31,661,448</u>	<u>\$ 34,060,006</u>	<u>\$ (2,398,558)</u>
Deferred Outflows of Resources	\$ 93,272	\$ 100,945	\$ (7,673)
Long -Term Liabilities	\$ 20,315,260	\$ 22,334,721	\$ 2,019,461
Other Liabilities	928,307	802,703	(125,604)
Total Liabilities	<u>\$ 21,243,567</u>	<u>\$ 23,137,424</u>	<u>\$ 1,893,857</u>
Net Position:			
Net Investment in Capital Assets	\$ 5,581,631	\$ 6,127,940	\$ (546,309)
Restricted	1,524,949	1,649,117	(124,168)
Unrestricted	3,404,573	3,246,470	158,103
Total Net Position	<u>\$ 10,511,153</u>	<u>\$ 11,023,527</u>	<u>\$ (512,374)</u>

The following table provides a summary of the District's operations for the years ending May 31, 2017, and May 31, 2016. The District decreased its net position by \$512,374, accounting for a 4.6% decline in net position.

	Summary of Changes in the Statement of Activities		
	2017	2016	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,593,543	\$ 3,523,990	\$ 69,553
Charges for Services	3,622,234	3,612,087	10,147
Other Revenues	71,028	38,691	32,337
Total Revenues	<u>\$ 7,286,805</u>	<u>\$ 7,174,768</u>	<u>\$ 112,037</u>
Expenses for Services	7,799,179	5,915,685	(1,883,494)
Change in Net Position	\$ (512,374)	\$ 1,259,083	\$ (1,771,457)
Net Position, Beginning of Year	11,023,527	9,764,444	1,259,083
Net Position, End of Year	<u>\$ 10,511,153</u>	<u>\$ 11,023,527</u>	<u>\$ (512,374)</u>

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of May 31, 2017, were \$4,922,848, an increase of \$28,018 from the prior year.

The General Fund fund balance increased by \$167,270, primarily due to service and tax revenues exceeding operating expenditures and capital outlay.

The Debt Service Fund fund balance decreased by \$139,318, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by \$66.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$286,850 lower than budgeted primarily due to less than anticipated revenues across all revenue categories. Actual expenditures were \$161,120 less than budgeted expenditures, primarily due to less than anticipated security services costs, surface water fees, repairs and maintenance costs, miscellaneous costs and capital costs.

CAPITAL ASSETS

Capital assets as of May 31, 2017, amount to \$25,803,553 (net of accumulated depreciation). These capital assets include land, buildings and equipment as well as the water, wastewater and drainage systems. Significant capital asset events during the current fiscal year included sanitary sewer rehabilitation, phase 2, sanitary sewer cleaning and televising, wastewater treatment plant fence, wastewater treatment plant air conditioning unit, rebuild of Lamson blowers, wastewater treatment plant generator, lift pump for lift station no. 2, new underground electrical conduit for wastewater treatment plant lift station, and lift station no. 2 fence.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2017	2016	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 494,962	\$ 494,962	\$
Construction in Progress	120,397	1,797,605	(1,677,208)
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	34,724	36,542	(1,818)
Equipment	66,258	77,110	(10,852)
Water System	7,626,203	7,953,720	(327,517)
Wastewater System	8,517,430	8,758,045	(240,615)
Drainage System	8,849,533	9,152,442	(302,909)
Impact Fees	94,046	91,290	2,756
Total Net Capital Assets	<u>\$ 25,803,553</u>	<u>\$ 28,361,716</u>	<u>\$ (2,558,163)</u>

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2017**

LONG-TERM DEBT ACTIVITY

As of May 31, 2017, the District had total bond debt payable of \$19,900,000. The changes in the debt position of the District during the fiscal year ended May 31, 2017, are summarized as follows:

Bond Debt Payable, June 1, 2016	\$ 21,865,000
Less: Bond Principal Paid	<u>1,965,000</u>
Bond Debt Payable, May 31, 2017	<u>\$ 19,900,000</u>

The District's bonds carry an underlying rating of "A" by Standard and Poor's. The District's Series 2011 Refunding, 2011A, 2012 Refunding and 2013 Refunding bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal. The District's Series 2014 Refunding bonds carry on insured rating of "AA" by virtue of bond insurance issued by Build America Mutual. The District's Series 2015 Refunding bonds are not rated. Credit enhanced ratings provided through bond insurance policies are subject to change based on the ratings of the bond insurance company. The above ratings reflect any rating changes during the year ended May 31, 2017.

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 Rayford Road Municipal Utility District, c/o Smith, Murdaugh, Little & Bonham, LLP, 2727 Allen Parkway, Suite 1100, Houston, TX 77019.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2017

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 3,660,494	\$ 736,746
Investments		924,325
Cash with Tax Assessor/Collector		1,354
Receivables:		
Property Taxes	15,839	49,050
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Uncollectible Accounts of \$2,000)	239,603	
Accrued Interest		1,550
Other	17,174	
Due from Other Funds	143,073	8,685
Prepaid Costs	10,664	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 4,086,847	\$ 1,721,710
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,086,847	\$ 1,721,710

The accompanying notes to 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>
\$ 91,977	\$ 4,489,217	\$	\$ 4,489,217
	924,325		924,325
	1,354		1,354
	64,889		64,889
		21,669	21,669
	239,603		239,603
	1,550		1,550
	17,174		17,174
	151,758	(151,758)	
	10,664	87,450	98,114
		494,962	494,962
		120,397	120,397
		<u>25,188,194</u>	<u>25,188,194</u>
<u>\$ 91,977</u>	<u>\$ 5,900,534</u>	<u>\$ 25,760,914</u>	<u>\$ 31,661,448</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 93,272</u>	<u>\$ 93,272</u>
<u>\$ 91,977</u>	<u>\$ 5,900,534</u>	<u>\$ 25,854,186</u>	<u>\$ 31,754,720</u>

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

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2017

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 470,851	\$
Accrued Interest Payable		
Due to Other Governmental Units	2,930	
Due to Developers	10,000	
Due to Other Funds	8,685	51,162
Security Deposits	277,258	
Long-Term Liabilities:		
Bonds Payable Within One Year		
Bonds Payable After One Year		
TOTAL LIABILITIES	\$ 769,724	\$ 51,162
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 15,839	\$ 49,050
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 10,664	\$
Restricted for Authorized Construction		
Restricted for Debt Service		1,621,498
Unassigned	3,290,620	
TOTAL FUND BALANCES	\$ 3,301,284	\$ 1,621,498
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,086,847	\$ 1,721,710
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to 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>
\$	\$ 470,851	\$	\$ 470,851
		167,268	167,268
	2,930		2,930
	10,000		10,000
91,911	151,758	(151,758)	
	277,258		277,258
		1,975,000	1,975,000
		18,340,260	18,340,260
<u>\$ 91,911</u>	<u>\$ 912,797</u>	<u>\$ 20,330,770</u>	<u>\$ 21,243,567</u>
<u>\$ -0-</u>	<u>\$ 64,889</u>	<u>\$ (64,889)</u>	<u>\$ -0-</u>
\$	\$ 10,664	\$ (10,664)	\$
66	66	(66)	
	1,621,498	(1,621,498)	
	3,290,620	(3,290,620)	
<u>\$ 66</u>	<u>\$ 4,922,848</u>	<u>\$ (4,922,848)</u>	<u>\$ - 0 -</u>
<u>\$ 91,977</u>	<u>\$ 5,900,534</u>		
		\$ 5,581,631	\$ 5,581,631
		1,524,949	1,524,949
		3,404,573	3,404,573
		<u>\$ 10,511,153</u>	<u>\$ 10,511,153</u>

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

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
MAY 31, 2017

Total Fund Balances - Governmental Funds		\$ 4,922,848
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.</p>		93,272
<p>Prepaid bond insurance is amortized over the repayment period of the related bonds in governmental activities.</p>		87,450
<p>Capital assets used in governmental activities are not a financial resource and, therefore, are not reported as assets in governmental funds.</p>		25,803,553
<p>Deferred tax revenues and penalty and interest receivable on delinquent taxes for the 2016 and prior tax levies became part of recognized revenue in the governmental activities of the District.</p>		86,558
<p>Certain liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:</p>		
Accrued Interest Payable	\$ (167,268)	
Bonds Payable	<u>(20,315,260)</u>	<u>(20,482,528)</u>
Total Net Position - Governmental Activities		<u>\$ 10,511,153</u>

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

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RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2017

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,014,896	\$ 2,574,751
Water Service	1,031,945	
Wastewater Service	1,342,534	
Groundwater Conservation District Fees	28,341	
Surface Water Revenues	1,144,294	
Penalty and Interest	60,198	11,552
Tap Connection and Inspection Fees	1,970	
Investment Revenues	4,993	5,948
Miscellaneous Revenues	59,979	
TOTAL REVENUES	\$ 4,689,150	\$ 2,592,251
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 159,439	\$ 3,733
Contracted Services	246,324	35,062
Security Services	668,951	
Solid Waste Disposal	642,254	
Utilities	221,250	
Surface Water Fees/Pumpage Fees	1,143,430	
Repairs and Maintenance	620,589	
Parks and Recreation	155,165	
Depreciation		
Other	425,429	11,256
Conveyance of Assets to Other Governmental Unit		
Capital Outlay	239,049	
Debt Service:		
Bond Principal		1,965,000
Bond Interest		716,518
TOTAL EXPENDITURES/EXPENSES	\$ 4,521,880	\$ 2,731,569
NET CHANGE IN FUND BALANCES	\$ 167,270	\$ (139,318)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
JUNE 1, 2016	3,134,014	1,760,816
FUND BALANCES/NET POSITION -		
MAY 31, 2017	\$ 3,301,284	\$ 1,621,498

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 3,589,647	\$ 3,896	\$ 3,593,543
	1,031,945		1,031,945
	1,342,534		1,342,534
	28,341		28,341
	1,144,294		1,144,294
	71,750	1,400	73,150
	1,970		1,970
108	11,049		11,049
	59,979		59,979
<u>\$ 108</u>	<u>\$ 7,281,509</u>	<u>\$ 5,296</u>	<u>\$ 7,286,805</u>
\$	\$ 163,172	\$	\$ 163,172
	281,386		281,386
	668,951		668,951
	642,254		642,254
	221,250		221,250
	1,143,430		1,143,430
	620,589		620,589
	155,165		155,165
		1,010,215	1,010,215
42	436,727		436,727
		1,786,997	1,786,997
	239,049	(239,049)	
	1,965,000	(1,965,000)	
	716,518	(47,475)	669,043
<u>\$ 42</u>	<u>\$ 7,253,491</u>	<u>\$ 545,688</u>	<u>\$ 7,799,179</u>
\$ 66	\$ 28,018	\$ (28,018)	\$
		(512,374)	(512,374)
	4,894,830	6,128,697	11,023,527
<u>\$ 66</u>	<u>\$ 4,922,848</u>	<u>\$ 5,588,305</u>	<u>\$ 10,511,153</u>

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

**RAYFORD ROAD 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 MAY 31, 2017**

Net Change in Fund Balances - Governmental Funds	\$	28,018
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.		3,896
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		1,400
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.		(1,010,215)
In the Statement of Activities, conveyance of assets to other governmental units is recorded as an expense.		(1,786,997)
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.		239,049
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		1,965,000
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.		<u>47,475</u>
Change in Net Position - Governmental Activities	\$	<u><u>(512,374)</u></u>

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

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2017

NOTE 1. CREATION OF DISTRICT

The District was created on May 6, 1969, under the terms and provisions of Section 59 of Article 16 of the Constitution of the State of Texas by the Legislature as a Water Control and Improvement District. The District was converted into a Municipal Utility District on April 26, 1974, by the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the "Commission"). The Board of Directors held its first meeting on December 21, 1971. 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.

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.

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:

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- 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.

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.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

Governmental Funds

The District has three governmental funds and considers these funds to be major funds.

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

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

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

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include taxes collected during the 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.

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

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	20-40
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 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.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2017

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 fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2017

NOTE 3. LONG-TERM DEBT

	Refunding Series 2011	Series 2011A	Refunding Series 2012
Amount Outstanding - May 31, 2017	\$3,030,000	\$3,750,000	\$3,520,000
Interest Rates	3.00% - 5.00%	3.50% - 4.00%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2018/2023	March 1, 2018/2029	March 1, 2018/2025
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	March 1, 2019*	March 1, 2019*	March 1, 2020*
	Refunding Series 2013	Refunding Series 2014	Refunding Series 2015
Amount Outstanding - May 31, 2017	\$3,815,000	\$2,985,000	\$2,800,000
Interest Rates	2.00% - 3.25%	2.00% - 3.50%	2.64%
Maturity Dates – Serially Beginning/Ending	March 1, 2018/2027	March 1, 2018/2023	March 1, 2018/2029
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	March 1, 2019*	March 1, 2021*	March 1, 2020*

* Callable for redemption at a price equal to the principal amount of the bonds called for redemption plus accrued interest. Series 2011 Refunding term bonds maturing March 1, 2023, are subject to mandatory redemption beginning March 1, 2022. Series 2011A term bonds maturing March 1, 2023, are subject to mandatory redemption beginning March 1, 2020. Series 2015 Refunding term bonds maturing March 1, 2029, are subject to mandatory redemption beginning March 1, 2016.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2017

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding long-term liabilities for the year ended May 31, 2017:

	June 1, 2016	Additions	Retirements	May 31, 2017
Bonds Payable	\$ 21,865,000	\$	\$ 1,965,000	\$ 19,900,000
Unamortized Discounts	(134,876)		(17,884)	(116,992)
Unamortized Premiums	604,597		72,345	532,252
Bonds Payable, Net	<u>\$ 22,334,721</u>	<u>\$ -0-</u>	<u>\$ 2,019,461</u>	<u>\$ 20,315,260</u>
			Amount Due Within One Year	\$ 1,975,000
			Amount Due After One Year	<u>18,340,260</u>
			Bonds Payable, Net	<u>\$ 20,315,260</u>

As of May 31, 2017, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 1,975,000	\$ 669,070	\$ 2,644,070
2019	2,015,000	619,724	2,634,724
2020	2,030,000	552,153	2,582,153
2021	2,035,000	481,700	2,516,700
2022	2,090,000	410,979	2,500,979
2023-2027	7,680,000	1,109,080	8,789,080
2028-2029	2,075,000	110,744	2,185,744
	<u>\$ 19,900,000</u>	<u>\$ 3,953,450</u>	<u>\$ 23,853,450</u>

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, and the revenue bonds are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and wastewater system. During the year ended May 31, 2017, the District levied an ad valorem debt service tax rate of \$0.38 per \$100 of assessed valuation, which resulted in a tax levy of \$2,579,367 on the adjusted taxable valuation of \$678,699,360 for the 2016 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

The District's tax calendar is as follows:

Levy Date	-	October 1, 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.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2017

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

- A. The bond orders state that so long as any of the bonds are outstanding, the District agrees to maintain insurance for the benefit of the holders of bonds, on the system of a kind and in an amount which usually would be carried by municipal corporations and political subdivisions operating in Texas.
- B. 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 to each nationally recognized municipal securities information depository and the state information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.
- C. In the bond orders, the District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five year anniversary of each use.

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 \$5,413,542 and the bank balance was \$5,394,145. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at May 31, 2017, as listed below:

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2017

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 3,660,494	\$	\$ 3,660,494
DEBT SERVICE FUND	736,746	924,325	1,661,071
CAPITAL PROJECTS FUND	<u>91,977</u>	<u></u>	<u>91,977</u>
TOTAL DEPOSITS	<u>\$ 4,489,217</u>	<u>\$ 924,325</u>	<u>\$ 5,413,542</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. 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.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2017

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of May 31, 2017, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>DEBT SERVICE FUND</u>		
Certificates of Deposit	<u>\$ 924,325</u>	<u>\$ 924,325</u>

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

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

Restrictions

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

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2017

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2017:

	June 1, 2016	Increases	Decreases	May 31, 2017
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 494,962	\$	\$	\$ 494,962
Construction in Progress	<u>1,797,605</u>	<u>239,049</u>	<u>1,916,257</u>	<u>120,397</u>
Total Capital Assets Not Being Depreciated	<u>\$ 2,292,567</u>	<u>\$ 239,049</u>	<u>\$ 1,916,257</u>	<u>\$ 615,359</u>
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 53,371	\$	\$	\$ 53,371
Equipment	120,022			120,022
Water System	11,736,832			11,736,832
Wastewater System	13,842,871	123,348		13,966,219
Drainage System	13,850,619			13,850,619
Impact Fees	<u>126,214</u>	<u>5,912</u>		<u>132,126</u>
Total Capital Assets Subject to Depreciation	<u>\$ 39,729,929</u>	<u>\$ 129,260</u>	<u>\$ - 0 -</u>	<u>\$ 39,859,189</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ 16,829	\$ 1,818	\$	\$ 18,647
Equipment	42,912	10,852		53,764
Water System	3,783,112	327,517		4,110,629
Wastewater System	5,084,826	363,963		5,448,789
Drainage System	4,698,177	302,909		5,001,086
Impact Fees	<u>34,924</u>	<u>3,156</u>		<u>38,080</u>
Total Accumulated Depreciation	<u>\$ 13,660,780</u>	<u>\$ 1,010,215</u>	<u>\$ - 0 -</u>	<u>\$ 14,670,995</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 26,069,149</u>	<u>\$ (880,955)</u>	<u>\$ - 0 -</u>	<u>\$ 25,188,194</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 28,361,716</u>	<u>\$ (641,906)</u>	<u>\$ 1,916,257</u>	<u>\$ 25,803,553</u>

NOTE 7. MAINTENANCE TAX

On March 9, 1978, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.15 per \$100 of assessed valuation of taxable property within the District. During the fiscal year ended May 31, 2017, the District levied an ad valorem maintenance tax at the rate of \$0.15 per \$100 of assessed valuation, which resulted in a tax levy of \$1,018,171 on the adjusted taxable valuation of \$678,699,360 for the 2016 tax year. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2017

NOTE 8. 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 from which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 9. LONE STAR GROUNDWATER CONSERVATION DISTRICT

The District is located within the boundaries of the Lone Star Groundwater Conservation District (the "Conservation District"). The Conservation District was created under Article 16, Section 59 of the Texas Constitution by House Bill 2362 (the "Act"), as passed by the 77th Texas Legislature, in 2001. The Conservation District was created to conserve, protect, and enhance the groundwater resources of Montgomery County, Texas.

A nine-member board of directors governs the Conservation District. The directors serve staggered four-year terms. Each director must qualify to serve as director in the manner provided by Section 36.055 of the Water Code.

The Conservation District charges production fees based on the amount of water authorized by permit to be withdrawn from a well. This fee enables the Conservation District to fulfill its purpose and regulatory functions. The 2017 permit fee is \$0.075 per 1,000 gallons water pumped from each well.

NOTE 10. EMERGENCY WATER SUPPLY AGREEMENTS

Montgomery County Municipal Utility District No. 99

On July 24, 2012, the District entered into an Emergency Water Supply Agreement with Montgomery County Municipal Utility District No. 99. During an emergency, the price to be paid for water by either district is \$1.00 per 1,000 gallons of water supplied plus pumpage fees charged by a regional water authority or groundwater conservation district. The term of the agreement is 40 years.

Montgomery County Municipal Utility District No. 115

On November 1, 2008, the District entered into an Emergency Water Supply Agreement with Montgomery County Municipal Utility District No. 115. During an emergency, the price to be paid for water by either district is \$1.00 per 1,000 gallons plus pumpage fees charged by a regional water authority or groundwater conservation district. The term of the agreement is 40 years.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2017

NOTE 11. INTERFUND PAYABLES/RECEIVABLES

As of May 31, 2017, the District had the following significant interfund liabilities: the Debt Service Fund owed the General Fund a total of \$51,162 for arbitrage and continuing disclosure expenses, the General Fund owed the Debt Service Fund \$1,197 for proceeds from the Series 2011 Refunding bond sale and \$7,488 for the over transfer of maintenance tax collections, and the Capital Projects Fund owed the General Fund a total of \$91,911 for costs associated with phase 1 of the sanitary sewer rehabilitation.

NOTE 12. SAN JACINTO RIVER AUTHORITY

On June 14, 2010, the District entered into the Contract for Groundwater Reduction Planning, Alternative Water Supply, and Related Goods and Services with the San Jacinto River Authority (the "Authority"). The District and the Authority operate within the boundaries of Lone Star Groundwater Conservation District (the "Conservation District"). See Note 9. The Authority has developed supplies of surface water that, when taken together with groundwater withdrawals to be permitted by the Conservation District, are reasonably believed to be adequate to satisfy the total water demands of Montgomery County. On December 13, 2012, the District and the Authority executed a supplemental agreement to the Contract calling for the District to design and construct a surface water treatment and transmission system (the "Project") to provide phased treatment, transmission and delivery of Authority's surface water to regulated users for blending with groundwater supplies, so that regulated users may continue to pump groundwater. The project has been completed and the facilities have been conveyed to the Authority for operation and maintenance. The Authority contributed \$1,588,990 to the District to finance the Project.

The Authority will develop a Groundwater Reduction Plan (the "GRP") for all participants. The Authority charges a fee, currently \$2.50 per 1,000 gallons, based on the amount of groundwater used. The fee for surface water used is \$2.69 per 1,000 gallons. These fees enable the Authority to achieve, maintain and implement the GRP. The term of this contract expires on December 31, 2045. During the current fiscal year, the District recorded an expenditure of \$1,143,430 in relation to this contract.

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RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2017

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,100,000	\$ 1,014,896	\$ (85,104)
Water Service	1,100,000	1,031,945	(68,055)
Wastewater Service	1,350,000	1,342,534	(7,466)
Groundwater Conservation District Fees	35,000	28,341	(6,659)
Surface Water Revenues	1,250,000	1,144,294	(105,706)
Penalty and Interest	70,000	60,198	(9,802)
Tap Connection and Inspection Fees	2,500	1,970	(530)
Investment Revenues	5,000	4,993	(7)
Miscellaneous Revenues	<u>63,500</u>	<u>59,979</u>	<u>(3,521)</u>
TOTAL REVENUES	<u>\$ 4,976,000</u>	<u>\$ 4,689,150</u>	<u>\$ (286,850)</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 140,000	\$ 159,439	\$ (19,439)
Contracted Services	236,000	246,324	(10,324)
Security Services	700,000	668,951	31,049
Solid Waste Disposal	620,000	642,254	(22,254)
Utilities	215,000	221,250	(6,250)
Surface Water Fees/Pumpage Fees	1,250,000	1,143,430	106,570
Repairs and Maintenance	645,000	620,589	24,411
Parks and Recreation	125,000	155,165	(30,165)
Other	502,000	425,429	76,571
Capital Outlay	<u>250,000</u>	<u>239,049</u>	<u>10,951</u>
TOTAL EXPENDITURES	<u>\$ 4,683,000</u>	<u>\$ 4,521,880</u>	<u>\$ 161,120</u>
NET CHANGE IN FUND BALANCE	\$ 293,000	\$ 167,270	\$ (125,730)
FUND BALANCE - JUNE 1, 2016	<u>3,134,014</u>	<u>3,134,014</u>	
FUND BALANCE - MAY 31, 2017	<u>\$ 3,427,014</u>	<u>\$ 3,301,284</u>	<u>\$ (125,730)</u>

See accompanying independent auditor's report.

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RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MAY 31, 2017

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2017

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective April 1, 2017.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 14.50	6,000	N	\$ 1.65	6,001 to 12,000
				\$ 2.25	12,001 to 22,000
				\$ 3.00	22,001 to 32,000
				\$ 3.50	32,001 to 42,000
				\$ 3.75	42,001 and up
WASTEWATER:	\$ 26.70	6,000	N	\$ 1.25	6,001 and up
SURCHARGE:					
Solid Waste/ Garbage	Included as part of minimum charge above				
Commission Regulatory Assessments					
Regional Water Authority Fees (Groundwater Use Fee)	\$0.083 per 1,000 gallons of water used (LSGCD)				
	\$2.96 per 1,000 gallons of water used (SJRA)				

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$21.10 Wastewater: \$31.70 Surcharge: \$30.43 Total: \$83.23

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2017

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	<u>3,726</u>	<u>3,690</u>	x 1.0	<u>3,690</u>
1"	<u>43</u>	<u>40</u>	x 2.5	<u>100</u>
1½"	<u>9</u>	<u>9</u>	x 5.0	<u>45</u>
2"	<u>39</u>	<u>38</u>	x 8.0	<u>304</u>
3"	<u>1</u>	<u>1</u>	x 15.0	<u>15</u>
4"			x 25.0	
6"	<u>1</u>	<u>1</u>	x 50.0	<u>50</u>
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>3,819</u>	<u>3,779</u>		<u>4,204</u>
Total Wastewater Connections	<u>3,631</u>	<u>3,605</u>	x 1.0	<u>3,605</u>

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

Gallons pumped into system:	175,454,000	Water Accountability Ratio: 94.8% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	413,313,000	
Loss, leaks or flushing:	6,905,000	
Gallons purchased:	267,812,000	From: San Jacinto River Authority

See accompanying independent auditor's report.

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2017**

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:

Montgomery County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

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

Entirely _____ Partly X Not at all _____

ETJ's in which District is located:

City of Houston, Texas

City of Conroe, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2017

PROFESSIONAL FEES:	
Auditing	\$ 13,500
Engineering	96,400
Legal	<u>49,539</u>
TOTAL PROFESSIONAL FEES	<u>\$ 159,439</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 36,625
Operations and Billing	<u>209,699</u>
TOTAL CONTRACTED SERVICES	<u>\$ 246,324</u>
UTILITIES:	
Electricity	<u>\$ 221,250</u>
REPAIRS AND MAINTENANCE	<u>\$ 620,589</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 7,125
Dues	580
Insurance	19,226
Legal Notices	581
Office Supplies and Postage	101,591
Payroll Taxes	507
Surface Water Fees/Pumpage Fees	1,143,430
Other	<u>13,989</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 1,287,029</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2017

CAPITAL OUTLAY:	
Capitalized Assets	\$ 239,049
Expenditures Not Capitalized	<u> </u>
TOTAL CAPITAL OUTLAY	<u>\$ 239,049</u>
TAP CONNECTIONS	<u>\$ 450</u>
SOLID WASTE DISPOSAL	<u>\$ 642,254</u>
SECURITY	<u>\$ 668,951</u>
PARKS AND RECREATION	<u>\$ 155,165</u>
OTHER EXPENDITURES:	
Chemicals	\$ 59,797
Laboratory Fees	37,556
Permit Fees	27,864
Reconnection Fees	19,560
Inspection Fees	350
Regulatory Assessment	11,562
Sludge Hauling	<u>124,691</u>
TOTAL OTHER EXPENDITURES	<u>\$ 281,380</u>
TOTAL EXPENDITURES	<u><u>\$ 4,521,880</u></u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
INVESTMENTS
MAY 31, 2017

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXX3351	0.75%	01/26/18	\$ 245,359	\$ 630
Certificate of Deposit	XXXX0771	0.40%	08/01/17	102,213	133
Certificate of Deposit	XXXX9301	0.55%	09/11/17	101,663	123
Certificate of Deposit	XXXX4231	1.00%	04/10/18	237,364	332
Certificate of Deposit	XXXX5154	1.00%	04/10/18	237,726	332
TOTAL DEBT SERVICE FUND				<u>\$ 924,325</u>	<u>\$ 1,550</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2017

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JUNE 1, 2016	\$	13,831	\$	47,162
Adjustments to Beginning				
Balance		<u>(1,267)</u>	\$	<u>(2,728)</u>
		\$	12,564	\$
			<u>44,434</u>	
Original 2016 Tax Levy	\$	1,021,616	\$	2,588,095
Adjustment to 2016 Tax Levy		<u>(3,445)</u>	<u>1,018,171</u>	<u>(8,728)</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	1,030,735	\$
				<u>2,623,801</u>
TAX COLLECTIONS:				
Prior Years	\$	7,347	\$	22,295
Current Year		<u>1,007,549</u>	<u>1,014,896</u>	<u>2,552,456</u>
				<u>2,574,751</u>
TAXES RECEIVABLE -				
MAY 31, 2017		<u>\$</u>	<u>15,839</u>	<u>\$</u>
				<u>49,050</u>
TAXES RECEIVABLE BY				
YEAR:				
2016	\$	10,622	\$	26,911
2015		1,987		5,300
2014		833		2,882
2013		504		2,246
2012		459		2,341
2011		317		1,828
2010		337		1,831
2009		348		1,893
2008		237		1,503
2007		91		619
2006		52		811
2005		<u>52</u>		<u>885</u>
TOTAL		<u>\$</u>	<u>15,839</u>	<u>\$</u>
				<u>49,050</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
ANALYSIS OF TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2017

	2016	2015	2014	2013
PROPERTY VALUATIONS:				
Land	\$ 73,094,350	\$ 71,126,010	\$ 68,464,420	\$ 68,140,960
Improvements	692,463,530	662,059,410	588,288,370	527,678,020
Personal Property	15,826,974	15,336,193	16,397,447	14,433,371
Exemptions	<u>(102,685,494)</u>	<u>(106,567,662)</u>	<u>(84,029,183)</u>	<u>(67,441,218)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 678,699,360</u>	<u>\$ 641,953,951</u>	<u>\$ 589,121,054</u>	<u>\$ 542,811,133</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.38	\$ 0.40	\$ 0.45	\$ 0.49
Maintenance	<u>0.15</u>	<u>0.15</u>	<u>0.13</u>	<u>0.11</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.53</u>	<u>\$ 0.55</u>	<u>\$ 0.580</u>	<u>\$ 0.600</u>
ADJUSTED TAX LEVY*	<u>\$ 3,597,538</u>	<u>\$ 3,531,329</u>	<u>\$ 3,416,823</u>	<u>\$ 3,256,868</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.96 %</u>	<u>99.79 %</u>	<u>99.89 %</u>	<u>99.92 %</u>

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

Maintenance Tax – Maximum tax rate of \$0.15 per \$100 of assessed valuation approved by voters on March 9, 1978.

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2017

REFUNDING SERIES - 2011

Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2018	\$ 845,000	\$ 123,200	\$ 968,200
2019	890,000	97,850	987,850
2020	520,000	62,250	582,250
2021	525,000	36,250	561,250
2022	125,000	10,000	135,000
2023	125,000	5,000	130,000
2024			
2025			
2026			
2027			
2028			
2029			
	<u>\$ 3,030,000</u>	<u>\$ 334,550</u>	<u>\$ 3,364,550</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2017

SERIES - 2011A

Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2018	\$ 25,000	\$ 140,500	\$ 165,500
2019	25,000	139,500	164,500
2020	25,000	138,500	163,500
2021	25,000	137,625	162,625
2022	25,000	136,750	161,750
2023	25,000	135,875	160,875
2024	400,000	135,000	535,000
2025	400,000	121,000	521,000
2026	600,000	106,000	706,000
2027	600,000	83,500	683,500
2028	800,000	61,000	861,000
2029	800,000	31,000	831,000
	<u>\$ 3,750,000</u>	<u>\$ 1,366,250</u>	<u>\$ 5,116,250</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2017

REFUNDING SERIES - 2012

Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2018	\$ 300,000	\$ 123,775	\$ 423,775
2019	305,000	117,775	422,775
2020	315,000	110,150	425,150
2021	330,000	100,700	430,700
2022	745,000	90,800	835,800
2023	760,000	61,000	821,000
2024	375,000	30,600	405,600
2025	390,000	15,600	405,600
2026			
2027			
2028			
2029			
	<u>\$ 3,520,000</u>	<u>\$ 650,400</u>	<u>\$ 4,170,400</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2017

REFUNDING SERIES - 2013

Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2018	\$ 120,000	\$ 119,325	\$ 239,325
2019	120,000	116,925	236,925
2020	370,000	113,325	483,325
2021	365,000	102,225	467,225
2022	410,000	91,275	501,275
2023	405,000	78,975	483,975
2024	500,000	65,813	565,813
2025	510,000	49,562	559,562
2026	510,000	32,988	542,988
2027	505,000	16,412	521,412
2028			
2029			
	<u>\$ 3,815,000</u>	<u>\$ 786,825</u>	<u>\$ 4,601,825</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2017

REFUNDING SERIES - 2014

Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2018	\$ 545,000	\$ 88,350	\$ 633,350
2019	535,000	77,450	612,450
2020	530,000	61,400	591,400
2021	525,000	45,500	570,500
2022	525,000	29,750	554,750
2023	325,000	11,375	336,375
2024			
2025			
2026			
2027			
2028			
2029			
	<u>\$ 2,985,000</u>	<u>\$ 313,825</u>	<u>\$ 3,298,825</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2017

REFUNDING SERIES - 2015

Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2018	\$ 140,000	\$ 73,920	\$ 213,920
2019	140,000	70,224	210,224
2020	270,000	66,528	336,528
2021	265,000	59,400	324,400
2022	260,000	52,404	312,404
2023	260,000	45,540	305,540
2024	255,000	38,676	293,676
2025	250,000	31,944	281,944
2026	245,000	25,344	270,344
2027	240,000	18,876	258,876
2028	240,000	12,540	252,540
2029	235,000	6,204	241,204
	<u>\$ 2,800,000</u>	<u>\$ 501,600</u>	<u>\$ 3,301,600</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2017

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2018	\$ 1,975,000	\$ 669,070	\$ 2,644,070
2019	2,015,000	619,724	2,634,724
2020	2,030,000	552,153	2,582,153
2021	2,035,000	481,700	2,516,700
2022	2,090,000	410,979	2,500,979
2023	1,900,000	337,765	2,237,765
2024	1,530,000	270,089	1,800,089
2025	1,550,000	218,106	1,768,106
2026	1,355,000	164,332	1,519,332
2027	1,345,000	118,788	1,463,788
2028	1,040,000	73,540	1,113,540
2029	1,035,000	37,204	1,072,204
	<u>\$ 19,900,000</u>	<u>\$ 3,953,450</u>	<u>\$ 23,853,450</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2017

Description	Original Bonds Issued	Bonds Outstanding June 1, 2016
Rayford Road Municipal Utility District Unlimited Tax Refunding Bonds - Series 2011	\$ 5,885,000	\$ 3,750,000
Rayford Road Municipal Utility District Unlimited Tax Bonds - Series 2011A	3,850,000	3,775,000
Rayford Road Municipal Utility District Unlimited Tax Refunding Bonds - Series 2012	4,815,000	3,810,000
Rayford Road Municipal Utility District Unlimited Tax Refunding Bonds - Series 2013	4,010,000	3,940,000
Rayford Road Municipal Utility District Unlimited Tax Refunding Bonds - Series 2014	4,595,000	3,720,000
Rayford Road Municipal Utility District Unlimited Tax Refunding Bonds - Series 2015	<u>2,925,000</u>	<u>2,870,000</u>
TOTAL	<u>\$ 26,080,000</u>	<u>\$ 21,865,000</u>

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding May 31, 2017</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 720,000	\$ 144,800	\$ 3,030,000	Mellon Trust Company, N.A Dallas, TX
	25,000	141,500	3,750,000	The Bank of New York Mellon Trust Company, N.A Dallas, TX
	290,000	129,575	3,520,000	The Bank of New York Mellon Trust Company, N.A Dallas, TX
	125,000	121,825	3,815,000	The Bank of New York Mellon Trust Company, N.A Dallas, TX
	735,000	103,050	2,985,000	The Bank of New York Mellon Trust Company, N.A Dallas, TX
	<u>70,000</u>	<u>75,768</u>	<u>2,800,000</u>	The Bank of New York Mellon Trust Company, N.A Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 1,965,000</u>	<u>\$ 716,518</u>	<u>\$ 19,900,000</u>	

See accompanying independent auditor's report.

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RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2017

Bond Authority:	Tax Bonds*	Refunding Bonds
Amount Authorized by Voters	\$ 43,350,000	\$ 39,500,000
Amount Issued	43,350,000	3,284,393
Remaining to be Issued	\$ - 0 -	\$ 36,215,607
 Debt Service Fund cash and investment balances as of May 31, 2017:		 \$ 1,662,425
Average annual debt service payment (principal and interest) for remaining term of all debt:		\$ 1,987,788

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.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2017	2016	2015
REVENUES			
Property Taxes	\$ 1,014,896	\$ 958,592	\$ 761,122
Water Service	1,031,945	1,049,623	989,197
Wastewater Service	1,342,534	1,346,888	1,322,427
Groundwater Conservation District Fees	28,341	27,763	25,603
Surface Water Revenues	1,144,294	1,106,260	886,408
Penalty and Interest	60,198	63,358	62,408
Tap Connection and Inspection Fees	1,970	630	655
Investment Revenues	4,993	4,036	3,573
Sale of Capacity			
Miscellaneous Revenues	59,979	28,828	52,561
TOTAL REVENUES	\$ 4,689,150	\$ 4,585,978	\$ 4,103,954
EXPENDITURES			
Professional Fees	\$ 159,439	\$ 170,246	\$ 103,438
Contracted Services	246,324	240,039	222,446
Purchased Water Service			
Security Services	668,951	627,593	512,315
Solid Waste Disposal	642,254	623,233	585,654
Utilities	221,250	206,270	232,685
Groundwater Conservation District Assessment		6,324	37,500
Surface Water Fees/Pumpage Fees	1,143,430	1,058,704	809,076
Repairs and Maintenance	620,589	581,236	398,194
Park and Recreation	155,165	134,261	202,886
Other	425,429	442,501	478,803
Capital Outlay	239,049	246,371	1,393,412
TOTAL EXPENDITURES	\$ 4,521,880	\$ 4,336,778	\$ 4,976,409
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 167,270	\$ 249,200	\$ (872,455)
OTHER FINANCING SOURCES (USES)			
Contribution from Other Governmental Entity	\$ -0-	\$ -0-	1,586,060
NET CHANGE IN FUND BALANCE	\$ 167,270	\$ 249,200	\$ 713,605
BEGINNING FUND BALANCE	3,134,014	2,884,814	2,171,209
ENDING FUND BALANCE	\$ 3,301,284	\$ 3,134,014	\$ 2,884,814

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2014	2013	2017	2016	2015	2014	2013
\$ 596,954	\$ 530,589	21.7 %	20.9 %	18.6 %	15.4 %	12.9 %
1,087,814	1,109,493	22.0	22.9	24.1	27.9	27.3
1,382,224	1,397,288	28.6	29.4	32.2	35.5	34.4
24,555	28,677	0.6	0.6	0.6	0.6	0.7
709,543	519,175	24.4	24.1	21.6	18.2	12.8
64,012	58,820	1.3	1.4	1.5	1.6	1.4
1,575	6,940					0.2
3,503	2,765	0.1	0.1	0.1	0.1	0.1
	390,057					9.6
<u>28,815</u>	<u>23,506</u>	<u>1.3</u>	<u>0.6</u>	<u>1.3</u>	<u>0.7</u>	<u>0.6</u>
<u>\$ 3,898,995</u>	<u>\$ 4,067,310</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 114,487	\$ 156,166	3.4 %	3.7 %	2.5 %	2.9 %	3.8 %
218,677	239,730	5.3	5.2	5.4	5.6	5.9
	62					
547,848	457,535	14.3	13.7	12.5	14.1	11.3
569,326	553,983	13.7	13.6	14.3	14.6	13.6
179,654	185,958	4.7	4.5	5.7	4.6	4.6
37,500	33,750		0.1	0.9	1.0	0.8
777,905	567,158	24.4	23.1	19.7	20.0	14.0
576,926	485,704	13.2	12.7	9.7	14.8	11.9
106,217	129,303	3.3	2.9	4.9	2.7	3.2
507,367	396,098	9.1	9.6	11.7	13.0	9.7
<u>233,535</u>	<u>176,038</u>	<u>5.1</u>	<u>5.4</u>	<u>34.0</u>	<u>6.0</u>	<u>4.3</u>
<u>\$ 3,869,442</u>	<u>\$ 3,381,485</u>	<u>96.5 %</u>	<u>94.5 %</u>	<u>121.3 %</u>	<u>99.3 %</u>	<u>83.1 %</u>
\$ 29,553	\$ 685,825	<u>3.5 %</u>	<u>5.5 %</u>	<u>(21.3) %</u>	<u>0.7 %</u>	<u>16.9 %</u>
<u>163,889</u>	<u>\$ -0-</u>					
\$ 193,442	\$ 685,825					
<u>1,977,767</u>	<u>1,291,942</u>					
<u>\$ 2,171,209</u>	<u>\$ 1,977,767</u>					

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2017	2016	2015
REVENUES			
Property Taxes	\$ 2,574,751	\$ 2,560,450	\$ 2,637,636
Penalty and Interest	11,552	13,993	13,203
Investment Revenues	5,948	5,734	5,945
TOTAL REVENUES	\$ 2,592,251	\$ 2,580,177	\$ 2,656,784
EXPENDITURES			
Tax Collection Expenditures	\$ 46,001	\$ 43,993	\$ 28,774
Debt Service Principal	1,965,000	1,995,000	1,895,000
Debt Service Interest and Fees	720,568	737,014	866,988
Payment to Refunded Escrow Agent			
Bond Issuance Costs		85,077	
TOTAL EXPENDITURES	\$ 2,731,569	\$ 2,861,084	\$ 2,790,762
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (139,318)	\$ (280,907)	\$ (133,978)
OTHER FINANCING SOURCES (USES)			
Refunding Bonds	\$	\$ 2,925,000	\$
Payment to Refunding Bond Escrow Agent		(2,840,660)	
Bond Discount			
Bond Premium			
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ 84,340	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ (139,318)	\$ (196,567)	\$ (133,978)
BEGINNING FUND BALANCE	1,760,816	1,957,383	2,091,361
ENDING FUND BALANCE	\$ 1,621,498	\$ 1,760,816	\$ 1,957,383
TOTAL ACTIVE RETAIL WATER CONNECTIONS	3,779	3,777	3,772
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	3,605	3,606	3,593

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2014	2013	2017	2016	2015	2014	2013
\$ 2,662,890	\$ 2,708,420	99.4 %	99.3 %	99.3 %	99.0 %	99.2 %
19,066	12,791	0.4	0.5	0.5	0.7	0.5
6,899	9,087	0.2	0.2	0.2	0.3	0.3
<u>\$ 2,688,855</u>	<u>\$ 2,730,298</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 32,409	\$ 37,041	1.8 %	1.7 %	1.1 %	1.2 %	1.4 %
1,815,000	1,735,000	75.8	77.3	71.3	67.5	63.5
1,002,269	1,003,521	27.8	28.6	32.6	37.3	36.8
10,000	79,000				0.4	2.9
162,850	156,710		3.3		6.1	5.7
<u>\$ 3,022,528</u>	<u>\$ 3,011,272</u>	<u>105.4 %</u>	<u>110.9 %</u>	<u>105.0 %</u>	<u>112.5 %</u>	<u>110.3 %</u>
<u>\$ (333,673)</u>	<u>\$ (280,974)</u>	<u>(5.4) %</u>	<u>(10.9) %</u>	<u>(5.0) %</u>	<u>(12.5) %</u>	<u>(10.3) %</u>
\$ 4,595,000	\$ 4,010,000					
(4,618,332)	(4,036,969)					
184,584	(32,685)					
	215,195					
<u>\$ 161,252</u>	<u>\$ 155,541</u>					
\$ (172,421)	\$ (125,433)					
<u>2,263,782</u>	<u>2,389,215</u>					
<u>\$ 2,091,361</u>	<u>\$ 2,263,782</u>					
<u>3,776</u>	<u>3,755</u>					
<u>3,595</u>	<u>3,580</u>					

See accompanying independent auditor's report.

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2017**

District Mailing Address - Rayford Road Municipal Utility District
c/o Smith, Murdaugh, Little & Bonham, LLP
2727 Allen Parkway, Suite 1100
Houston, TX 77019

District Telephone Number - (713) 652-6500

Board Members	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended May 31, 2017</u>	<u>Expense Reimbursements for the year ended May 31, 2017</u>	<u>Title</u>
Jon Vallery	05/14 – 05/18 (Elected)	\$ 1,875	\$ -0-	President
Frank Moore	05/16 – 05/20 (Elected)	\$ 1,250	\$ -0-	Vice President
Brendon Keith	05/16 – 05/20 (Elected)	\$ 1,250	\$ -0-	Secretary
Michael Smith	05/14 – 05/18 (Elected)	\$ 1,500	\$ -0-	Assistant Secretary
Paul W. Alli	05/14 – 05/18 (Elected)	\$ 1,250	\$ -0-	Director

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District’s developers or with any of the District’s consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):
June 13, 2017

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 14, 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.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2017

	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2017</u>	<u>Title</u>
Consultants:			
Smith, Murdaugh, Little & Bonham, LLP	05/84	\$ 49,539	General Counsel
McCall Gibson Swedlund Barfoot PLLC	05/10/99	\$ 13,500	Auditor
Myrtle Cruz, Inc.	12/80	\$ 39,333	Bookkeeper
Linebarger Goggan Blair & Sampson, LLP	07/01/08	\$ 3,733	Delinquent Tax Attorney
IDS Engineering Group	12/14/98	\$ 147,036	Engineer
FirstSouthwest, a Division of Hilltop Securities Inc.	04/78	\$ -0-	Financial Advisor
Bill Russell	02/04	\$ -0-	Investment Officer
Municipal Operations & Consulting	05/13/02	\$ 1,044,419	Operator
Montgomery County		\$ 615,372	Security

See accompanying independent auditor's report.

