

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**  
**MONTGOMERY COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**MAY 31, 2018**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
Certified Public Accountants



**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**  
**MONTGOMERY COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**MAY 31, 2018**



## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	13-14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO THE FINANCIAL STATEMENTS	16-28
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	30
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	32-34
GENERAL FUND EXPENDITURES	35-36
INVESTMENTS	37
TAXES LEVIED AND RECEIVABLE	38-39
LONG-TERM DEBT SERVICE REQUIREMENTS	40-46
CHANGE IN LONG-TERM BOND DEBT	47-48
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	49-52
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	53-54



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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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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





## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of May 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

September 10, 2018



**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2018**

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, 2018. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

The Statement of Net Position includes all 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 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, 2018**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information required by the Water District Financial Management Guide. 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 \$11,607,925 as of May 31, 2018.

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

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

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED MAY 31, 2018**

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

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 5,586,684	\$ 5,857,895	\$ (271,211)
Capital Assets (Net of Accumulated Depreciation)	25,132,072	25,803,553	(671,481)
Total Assets	\$ 30,718,756	\$ 31,661,448	\$ (942,692)
Deferred Outflows of Resources	\$ 85,599	\$ 93,272	\$ (7,673)
Long -Term Liabilities	\$ 18,285,799	\$ 20,315,260	\$ 2,029,461
Other Liabilities	910,631	928,307	17,676
Total Liabilities	\$ 19,196,430	\$ 21,243,567	\$ 2,047,137
Net Position:			
Net Investment in Capital Assets	\$ 6,931,938	\$ 5,581,631	\$ 1,350,307
Restricted	1,399,453	1,524,949	(125,496)
Unrestricted	3,276,534	3,404,573	(128,039)
Total Net Position	\$ 11,607,925	\$ 10,511,153	\$ 1,096,772

The following table provides a summary of the District's operations for the years ending May 31, 2018, and May 31, 2017. The District's net position increased by \$1,096,772, accounting for a 10.4% increase in net position.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,566,591	\$ 3,593,543	\$ (26,952)
Charges for Services	3,474,508	3,622,234	(147,726)
Other Revenues	108,775	71,028	37,747
Total Revenues	\$ 7,149,874	\$ 7,286,805	\$ (136,931)
Expenses for Services	6,053,102	7,799,179	1,746,077
Change in Net Position	\$ 1,096,772	\$ (512,374)	\$ 1,609,146
Net Position, Beginning of Year	10,511,153	11,023,527	(512,374)
Net Position, End of Year	\$ 11,607,925	\$ 10,511,153	\$ 1,096,772

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2018**

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

The District's combined fund balances as of May 31, 2018, were \$4,658,023, a decrease of \$264,825 from the prior year.

The General Fund fund balance decreased by \$119,691, primarily due to operating expenditures and capital outlay exceeding tax and service revenues.

The Debt Service Fund fund balance decreased by \$145,134, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance remained unchanged.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$370,717 less than budgeted primarily due to lower than anticipated tax and service revenues. Actual expenditures were \$30,526 less than budgeted expenditures.

**CAPITAL ASSETS**

Capital assets as of May 31, 2018, amount to \$25,132,072 (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, and a wastewater treatment plant fence.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 494,962	\$ 494,962	\$
Construction in Progress	29,348	120,397	(91,049)
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	32,659	34,724	(2,065)
Equipment	55,406	66,258	(10,852)
Water System	7,298,686	7,626,203	(327,517)
Wastewater System	8,583,497	8,517,430	66,067
Drainage System	8,546,623	8,849,533	(302,910)
Impact Fees	90,891	94,046	(3,155)
Total Net Capital Assets	<u>\$ 25,132,072</u>	<u>\$ 25,803,553</u>	<u>\$ (671,481)</u>

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2018**

**LONG-TERM DEBT ACTIVITY**

As of May 31, 2018, the District had total bond debt payable of \$17,925,000. The changes in the debt position of the District during the fiscal year ended May 31, 2018, are summarized as follows:

Bond Debt Payable, June 1, 2017	\$ 19,900,000
Less: Bond Principal Paid	<u>1,975,000</u>
Bond Debt Payable, May 31, 2018	<u>\$ 17,925,000</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 Assurance Company. 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, 2018.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to 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, 2018**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS</b>		
Cash	\$ 3,527,701	\$ 587,876
Investments		932,343
Receivables:		
Property Taxes	18,666	53,521
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Uncollectible Accounts of \$2,000)	217,199	
Accrued Interest		2,913
Other	40,679	
Due from Other Funds	143,495	4,816
Prepaid Costs	13,035	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<u>\$ 3,960,775</u>	<u>\$ 1,581,469</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Refunding Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS     OF RESOURCES</b>	<u><u>\$ 3,960,775</u></u>	<u><u>\$ 1,581,469</u></u>

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	\$ 4,207,554	\$	\$ 4,207,554
	932,343		932,343
	72,187		72,187
		24,499	24,499
	217,199		217,199
	2,913		2,913
	40,679		40,679
	148,311	(148,311)	
	13,035	76,275	89,310
		494,962	494,962
		29,348	29,348
		<u>24,607,762</u>	<u>24,607,762</u>
<u>\$ 91,977</u>	<u>\$ 5,634,221</u>	<u>\$ 25,084,535</u>	<u>\$ 30,718,756</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 85,599</u>	<u>\$ 85,599</u>
<u><u>\$ 91,977</u></u>	<u><u>\$ 5,634,221</u></u>	<u><u>\$ 25,170,134</u></u>	<u><u>\$ 30,804,355</u></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, 2018**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 448,777	\$
Accrued Interest Payable		
Due to Other Governmental Units	2,930	
Due to Developers	18,000	
Due to Other Funds	4,816	51,584
Security Deposits	285,993	
Long-Term Liabilities:		
Bonds Payable Within One Year		
Bonds Payable After One Year		
<b>TOTAL LIABILITIES</b>	<u>\$ 760,516</u>	<u>\$ 51,584</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	<u>\$ 18,666</u>	<u>\$ 53,521</u>
<b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 13,035	\$
Restricted for Authorized Construction		
Restricted for Debt Service		1,476,364
Unassigned	<u>3,168,558</u>	
<b>TOTAL FUND BALANCES</b>	<u>\$ 3,181,593</u>	<u>\$ 1,476,364</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 3,960,775</u></u>	<u><u>\$ 1,581,469</u></u>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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>
\$	\$ 448,777	\$	\$ 448,777
		154,931	154,931
	2,930		2,930
	18,000		18,000
91,911	148,311	(148,311)	
	285,993		285,993
		2,015,000	2,015,000
		16,270,799	16,270,799
<u>\$ 91,911</u>	<u>\$ 904,011</u>	<u>\$ 18,292,419</u>	<u>\$ 19,196,430</u>
<u>\$ -0-</u>	<u>\$ 72,187</u>	<u>\$ (72,187)</u>	<u>\$ -0-</u>
\$	\$ 13,035	\$ (13,035)	\$
66	66	(66)	
	1,476,364	(1,476,364)	
	3,168,558	(3,168,558)	
<u>\$ 66</u>	<u>\$ 4,658,023</u>	<u>\$ (4,658,023)</u>	<u>\$ - 0 -</u>
<u>\$ 91,977</u>	<u>\$ 5,634,221</u>		
		\$ 6,931,938	\$ 6,931,938
		1,399,453	1,399,453
		3,276,534	3,276,534
		<u>\$ 11,607,925</u>	<u>\$ 11,607,925</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, 2018**

Total Fund Balances - Governmental Funds		\$ 4,658,023
Amounts reported for governmental activities in the Statement of Net Position are different because:		
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.		85,599
Prepaid bond insurance is amortized over the repayment period of the related bonds in governmental activities.		76,275
Capital assets used in governmental activities are not a financial resource and, therefore, are not reported as assets in governmental funds.		25,132,072
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District.		96,686
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:		
Accrued Interest Payable	\$ (154,931)	
Bonds Payable	<u>(18,285,799)</u>	<u>(18,440,730)</u>
Total Net Position - Governmental Activities		<u>\$ 11,607,925</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, 2018**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 1,046,193	\$ 2,513,100
Water Service	949,104	
Wastewater Service	1,317,678	
Groundwater Conservation District Fees	32,237	
Surface Water Revenues	1,102,424	
Penalty and Interest	56,272	11,368
Tap Connection and Inspection Fees	2,595	
Investment Revenues	7,479	12,061
Miscellaneous Revenues	86,801	2,434
<b>TOTAL REVENUES</b>	<b>\$ 4,600,783</b>	<b>\$ 2,538,963</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 138,617	\$ 4,024
Contracted Services	267,191	35,122
Security Services	628,559	
Solid Waste Disposal	710,941	
Utilities	217,741	
Surface Water Fees/Pumpage Fees	1,062,492	
Repairs and Maintenance	699,706	
Parks and Recreation	194,841	
Depreciation		
Other	446,194	881
Capital Outlay	354,192	
Debt Service:		
Bond Principal		1,975,000
Bond Interest		669,070
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 4,720,474</b>	<b>\$ 2,684,097</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (119,691)</b>	<b>\$ (145,134)</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION -</b>		
<b>JUNE 1, 2017</b>	<b>3,301,284</b>	<b>1,621,498</b>
<b>FUND BALANCES/NET POSITION -</b>		
<b>MAY 31, 2018</b>	<b>\$ 3,181,593</b>	<b>\$ 1,476,364</b>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 3,559,293	\$ 7,298	\$ 3,566,591
	949,104		949,104
	1,317,678		1,317,678
	32,237		32,237
	1,102,424		1,102,424
	67,640	2,830	70,470
	2,595		2,595
	19,540		19,540
	89,235		89,235
<u>\$ - 0 -</u>	<u>\$ 7,139,746</u>	<u>\$ 10,128</u>	<u>\$ 7,149,874</u>
\$	\$ 142,641	\$	\$ 142,641
	302,313		302,313
	628,559		628,559
	710,941		710,941
	217,741		217,741
	1,062,492		1,062,492
	699,706		699,706
	194,841		194,841
		1,025,673	1,025,673
	447,075		447,075
	354,192	(354,192)	
	1,975,000	(1,975,000)	
	669,070	(47,950)	621,120
<u>\$ - 0 -</u>	<u>\$ 7,404,571</u>	<u>\$ (1,351,469)</u>	<u>\$ 6,053,102</u>
\$ - 0 -	\$ (264,825)	\$ 264,825	\$
		1,096,772	1,096,772
<u>66</u>	<u>4,922,848</u>	<u>5,588,305</u>	<u>10,511,153</u>
<u>\$ 66</u>	<u>\$ 4,658,023</u>	<u>\$ 6,949,902</u>	<u>\$ 11,607,925</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, 2018**

Net Change in Fund Balances - Governmental Funds	\$ (264,825)
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.	7,298
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.	2,830
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.	(1,025,673)
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.	354,192
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.	1,975,000
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.	47,950
Change in Net Position - Governmental Activities	<u>\$ 1,096,772</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, 2018**

**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").

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2018**

**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, 2018**

**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 inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

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, 2018**

**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:

	<u>Years</u>
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, 2018**

**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, 2018**

**NOTE 3. LONG-TERM DEBT**

	Refunding Series 2011	Series 2011A	Refunding Series 2012
Amount Outstanding - May 31, 2018	\$2,185,000	\$3,725,000	\$3,220,000
Interest Rates	4.00% - 5.00%	3.50% - 4.00%	2.50% - 4.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2019/2023	March 1, 2019/2029	March 1, 2019/2025
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, 2018	\$3,695,000	\$2,440,000	\$2,660,000
Interest Rates	3.00% - 3.25%	3.00% - 3.50%	2.64%
Maturity Dates – Serially Beginning/Ending	March 1, 2019/2027	March 1, 2019/2023	March 1, 2019/2029
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, 2018**

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

The following is a summary of transactions regarding long-term liabilities for the year ended May 31, 2018:

	June 1, 2017	Additions	Retirements	May 31, 2018
Bonds Payable	\$ 19,900,000	\$	\$ 1,975,000	\$ 17,925,000
Unamortized Discounts	(116,992)		(17,884)	(99,108)
Unamortized Premiums	532,252		72,345	459,907
Bonds Payable, Net	<u>\$ 20,315,260</u>	<u>\$ -0-</u>	<u>\$ 2,029,461</u>	<u>\$ 18,285,799</u>
		Amount Due Within One Year		\$ 2,015,000
		Amount Due After One Year		16,270,799
		Bonds Payable, Net		<u>\$ 18,285,799</u>

As of May 31, 2018, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
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
2024-2028	6,820,000	844,855	7,664,855
2029	1,035,000	37,204	1,072,204
	<u>\$ 17,925,000</u>	<u>\$ 3,284,380</u>	<u>\$ 21,209,380</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, 2018, the District levied an ad valorem debt service tax rate of \$0.36 per \$100 of assessed valuation, which resulted in a tax levy of \$2,520,399 on the adjusted taxable valuation of \$700,015,470 for the 2017 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

The District's tax calendar is as follows:

Levy Date	-	October 1, 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, 2018**

**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 \$5,139,897 and the bank balance was \$5,153,303. The District was not exposed to custodial credit risk at year-end.



**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2018**

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

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at May 31, 2018, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 3,527,701	\$	\$ 3,527,701
DEBT SERVICE FUND	587,876	932,343	1,520,219
CAPITAL PROJECTS FUND	91,977		91,977
TOTAL DEPOSITS	<u>\$ 4,207,554</u>	<u>\$ 932,343</u>	<u>\$ 5,139,897</u>

Investments

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2018**

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

Investments (Continued)

As of May 31, 2018, the District had the following investments and maturities:

<u>Fund and Investment Type</u>	<u>Fair Value</u>	<u>Maturities of Less Than 1 Year</u>
<u>DEBT SERVICE FUND</u>		
Certificates of Deposit	<u>\$ 932,343</u>	<u>\$ 932,343</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, 2018**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended May 31, 2018:

	June 1, 2017	Increases	Decreases	May 31, 2018
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 494,962	\$	\$	\$ 494,962
Construction in Progress	<u>120,397</u>	<u>354,192</u>	<u>445,241</u>	<u>29,348</u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 615,359</u>	<u>\$ 354,192</u>	<u>\$ 445,241</u>	<u>\$ 524,310</u>
<b>Capital Assets Subject to Depreciation</b>				
Buildings and Improvements	\$ 53,371	\$	\$	\$ 53,371
Equipment	120,022			120,022
Water System	11,736,832			11,736,832
Wastewater System	13,966,219	445,241		14,411,460
Drainage System	13,850,619			13,850,619
Impact Fees	<u>132,126</u>			<u>132,126</u>
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 39,859,189</u>	<u>\$ 445,241</u>	<u>\$ - 0 -</u>	<u>\$ 40,304,430</u>
<b>Less Accumulated Depreciation</b>				
Buildings and Improvements	\$ 18,647	\$ 2,065	\$	\$ 20,712
Equipment	53,764	10,852		64,616
Water System	4,110,629	327,517		4,438,146
Wastewater System	5,448,789	379,174		5,827,963
Drainage System	5,001,086	302,910		5,303,996
Impact Fees	<u>38,080</u>	<u>3,155</u>		<u>41,235</u>
<b>Total Accumulated Depreciation</b>	<u>\$ 14,670,995</u>	<u>\$ 1,025,673</u>	<u>\$ - 0 -</u>	<u>\$ 15,696,668</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 25,188,194</u>	<u>\$ (580,432)</u>	<u>\$ - 0 -</u>	<u>\$ 24,607,762</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 25,803,553</u>	<u>\$ (226,240)</u>	<u>\$ 445,241</u>	<u>\$ 25,132,072</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, 2018, 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 \$1,050,166 on the adjusted taxable valuation of \$700,015,470 for the 2017 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, 2018**

**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 77<sup>th</sup> 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 2018 permit fee is \$0.105 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, 2018**

**NOTE 11. INTERFUND PAYABLES/RECEIVABLES**

As of May 31, 2018, the District had the following significant interfund liabilities: the Debt Service Fund owed the General Fund a total of \$51,584 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 \$3,619 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 \$2.64 per 1,000 gallons, based on the amount of groundwater used. The fee for surface water used is \$2.83 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 \$1,062,492 in relation to this contract.

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**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**MAY 31, 2018**





**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, 2018**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 1,100,000	\$ 1,046,193	\$ (53,807)
Water Service	1,100,000	949,104	(150,896)
Wastewater Service	1,350,000	1,317,678	(32,322)
Groundwater Conservation District Fees	35,000	32,237	(2,763)
Surface Water Revenues	1,250,000	1,102,424	(147,576)
Penalty and Interest	65,000	56,272	(8,728)
Tap Connection and Inspection Fees	2,500	2,595	95
Investment Revenues	5,000	7,479	2,479
Miscellaneous Revenues	64,000	86,801	22,801
<b>TOTAL REVENUES</b>	<u>\$ 4,971,500</u>	<u>\$ 4,600,783</u>	<u>\$ (370,717)</u>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 145,000	\$ 138,617	\$ 6,383
Contracted Services	246,000	267,191	(21,191)
Security Services	700,000	628,559	71,441
Solid Waste Disposal	640,000	710,941	(70,941)
Utilities	215,000	217,741	(2,741)
Surface Water Fees/Pumpage Fees	1,250,000	1,062,492	187,508
Repairs and Maintenance	645,000	699,706	(54,706)
Parks and Recreation	130,000	194,841	(64,841)
Other	530,000	446,194	83,806
Capital Outlay	250,000	354,192	(104,192)
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,751,000</u>	<u>\$ 4,720,474</u>	<u>\$ 30,526</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 220,500	\$ (119,691)	\$ (340,191)
<b>FUND BALANCE - JUNE 1, 2017</b>	<u>3,301,284</u>	<u>3,301,284</u>	<u></u>
<b>FUND BALANCE - MAY 31, 2018</b>	<u><u>\$ 3,521,784</u></u>	<u><u>\$ 3,181,593</u></u>	<u><u>\$ (340,191)</u></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, 2018**



**FOR THE YEAR ENDED MAY 31, 2018**

**1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:**

<u>  X  </u>	Retail Water	_____	Wholesale Water	<u>  X  </u>	Drainage
<u>  X  </u>	Retail Wastewater	_____	Wholesale Wastewater	_____	Irrigation
<u>  X  </u>	Parks/Recreation	_____	Fire Protection	<u>  X  </u>	Law Enforcement
<u>  X  </u>	Solid Waste/Garbage	_____	Flood Control	_____	Roads
	Participates in joint venture, regional system and/or wastewater service (other than				
<u>  X  </u>	emergency interconnect)				
	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.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
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)	\$0.116 per 1,000 gallons of water used (LSGCD)				
	\$3.113 per 1,000 gallons of water used (SJRA)				

District employs winter averaging for wastewater usage?

Yes	X No
-----	---------

Total monthly charges per 10,000 gallons usage: Water: \$21.10 Wastewater: \$31.70 Surcharge: \$32.29 Total: \$85.09

See accompanying independent auditor's report.

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED MAY 31, 2018**

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

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

<b>Meter Size</b>	<b>Total Connections</b>	<b>Active Connections</b>	<b>ESFC Factor</b>	<b>Active ESFCs</b>
Unmetered			x 1.0	
≤¾"	<u>3,724</u>	<u>3,687</u>	x 1.0	<u>3,687</u>
1"	<u>44</u>	<u>40</u>	x 2.5	<u>100</u>
1½"	<u>10</u>	<u>10</u>	x 5.0	<u>50</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>3,777</u>		<u>4,206</u>
Total Wastewater Connections	<u>3,632</u>	<u>3,607</u>	x 1.0	<u>3,607</u>

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

Gallons pumped into system:	163,488,000	Water Accountability Ratio: 94.5% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	365,490,000	
Loss, leaks or flushing:	6,890,000	
Gallons purchased:	230,664,000	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, 2018**

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

Does the District have Operation and Maintenance standby fees? Yes ☐ No ☒

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☐ Partly ☒ 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 ☒

See accompanying independent auditor's report.

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED MAY 31, 2018**

PROFESSIONAL FEES:	
Auditing	\$ 14,000
Engineering	56,072
Legal	<u>68,545</u>
TOTAL PROFESSIONAL FEES	<u>\$ 138,617</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 36,183
Operations and Billing	<u>231,008</u>
TOTAL CONTRACTED SERVICES	<u>\$ 267,191</u>
UTILITIES	<u>\$ 217,741</u>
REPAIRS AND MAINTENANCE	<u>\$ 699,706</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 5,625
Dues	650
Insurance	31,142
Legal Notices	530
Office Supplies and Postage	93,796
Payroll Taxes	450
Election Costs	16,607
Surface Water Fees/Pumpage Fees	1,062,492
Other	<u>31,405</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 1,242,697</u>

See accompanying independent auditor's report.



**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED MAY 31, 2018**

CAPITAL OUTLAY:	
Capitalized Assets	\$ 354,192
Expenditures Not Capitalized	
TOTAL CAPITAL OUTLAY	<u>\$ 354,192</u>
 TAP CONNECTIONS	 <u>\$ 450</u>
 SOLID WASTE DISPOSAL	 <u>\$ 710,941</u>
 SECURITY	 <u>\$ 628,559</u>
 PARKS AND RECREATION	 <u>\$ 194,841</u>
 OTHER EXPENDITURES:	
Chemicals	\$ 62,069
Laboratory Fees	35,856
Permit Fees	37,050
Reconnection Fees	16,360
Inspection Fees	30
Regulatory Assessment	11,460
Sludge Hauling	<u>102,714</u>
TOTAL OTHER EXPENDITURES	<u>\$ 265,539</u>
 TOTAL EXPENDITURES	 <u><u>\$ 4,720,474</u></u>

See accompanying independent auditor's report.

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**  
**INVESTMENTS**  
**MAY 31, 2018**

<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>
<b><u>DEBT SERVICE FUND</u></b>					
Certificate of Deposit	XXXX3351	1.20%	07/26/18	\$ 247,206	\$ 1,016
Certificate of Deposit	XXXX0771	0.95%	08/01/18	102,906	319
Certificate of Deposit	XXXX9301	1.25%	09/10/18	102,426	281
Certificate of Deposit	XXXX4231	2.00%	04/10/19	239,740	670
Certificate of Deposit	XXXX5154	1.87%	10/09/18	240,065	627
<b>TOTAL DEBT SERVICE FUND</b>				<u><u>\$ 932,343</u></u>	<u><u>\$ 2,913</u></u>

See accompanying independent auditor's report.

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED MAY 31, 2018**

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
JUNE 1, 2017	\$	15,839	\$	49,050
Adjustments to Beginning				
Balance		<u>(1,146)</u>		<u>(2,828)</u>
	\$	14,693	\$	46,222
Original 2017 Tax Levy	\$	1,053,531	\$	2,528,475
Adjustment to 2017 Tax Levy		<u>(3,365)</u>		<u>(8,076)</u>
		1,050,166		2,520,399
TOTAL TO BE				
ACCOUNTED FOR		\$ 1,064,859		\$ 2,566,621
TAX COLLECTIONS:				
Prior Years	\$	9,052	\$	23,961
Current Year		<u>1,037,141</u>		<u>2,489,139</u>
		1,046,193		2,513,100
TAXES RECEIVABLE -				
MAY 31, 2018		<u>\$ 18,666</u>		<u>\$ 53,521</u>
TAXES RECEIVABLE BY				
YEAR:				
2017	\$	13,025	\$	31,260
2016		1,766		4,475
2015		1,226		3,270
2014		491		1,701
2013		379		1,686
2012		345		1,759
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>18,666</u>	\$	<u>53,521</u>

See accompanying independent auditor's report.

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**  
**ANALYSIS OF TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED MAY 31, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PROPERTY VALUATIONS:				
Land	\$ 73,105,360	\$ 73,094,350	\$ 71,126,010	\$ 68,464,420
Improvements	711,314,350	692,463,530	662,059,410	588,288,370
Personal Property	16,170,886	15,826,974	15,336,193	16,397,447
Exemptions	<u>(100,575,126)</u>	<u>(102,685,494)</u>	<u>(106,567,662)</u>	<u>(84,029,183)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 700,015,470</u>	<u>\$ 678,699,360</u>	<u>\$ 641,953,951</u>	<u>\$ 589,121,054</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.36	\$ 0.38	\$ 0.40	\$ 0.45
Maintenance	<u>0.15</u>	<u>0.15</u>	<u>0.15</u>	<u>0.13</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.51</u>	<u>\$ 0.53</u>	<u>\$ 0.550</u>	<u>\$ 0.580</u>
ADJUSTED TAX LEVY*	<u>\$ 3,570,565</u>	<u>\$ 3,597,538</u>	<u>\$ 3,531,329</u>	<u>\$ 3,416,823</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.76 %</u>	<u>99.83 %</u>	<u>99.87 %</u>	<u>99.94 %</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, 2018**

REFUNDING SERIES - 2011			
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
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>\$ 2,185,000</u>	<u>\$ 211,350</u>	<u>\$ 2,396,350</u>

See accompanying independent auditor's report.

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2018**

S E R I E S - 2 0 1 1 A			
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
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>\$ 3,725,000</u>	<u>\$ 1,225,750</u>	<u>\$ 4,950,750</u>

See accompanying independent auditor's report.

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2018**

REFUNDING SERIES - 2012			
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
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>\$ 3,220,000</u>	<u>\$ 526,625</u>	<u>\$ 3,746,625</u>

See accompanying independent auditor's report.

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2018**

REFUNDING SERIES - 2013			
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
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>\$ 3,695,000</u>	<u>\$ 667,500</u>	<u>\$ 4,362,500</u>

See accompanying independent auditor's report.



**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2018**

REFUNDING SERIES - 2014			
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
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>\$ 2,440,000</u>	<u>\$ 225,475</u>	<u>\$ 2,665,475</u>

See accompanying independent auditor's report.

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2018**

REFUNDING SERIES - 2015			
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
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>\$ 2,660,000</u>	<u>\$ 427,680</u>	<u>\$ 3,087,680</u>

See accompanying independent auditor's report.

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2018**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
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>\$ 17,925,000</u>	<u>\$ 3,284,380</u>	<u>\$ 21,209,380</u>

See accompanying independent auditor's report.

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**  
**CHANGE IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED MAY 31, 2018**

Description	Original Bonds Issued	Bonds Outstanding June 1, 2017
Rayford Road Municipal Utility District Unlimited Tax Refunding Bonds - Series 2011	\$ 5,885,000	\$ 3,030,000
Rayford Road Municipal Utility District Unlimited Tax Bonds - Series 2011A	3,850,000	3,750,000
Rayford Road Municipal Utility District Unlimited Tax Refunding Bonds - Series 2012	4,815,000	3,520,000
Rayford Road Municipal Utility District Unlimited Tax Refunding Bonds - Series 2013	4,010,000	3,815,000
Rayford Road Municipal Utility District Unlimited Tax Refunding Bonds - Series 2014	4,595,000	2,985,000
Rayford Road Municipal Utility District Unlimited Tax Refunding Bonds - Series 2015	<u>2,925,000</u>	<u>2,800,000</u>
TOTAL	<u>\$ 26,080,000</u>	<u>\$ 19,900,000</u>
Bond Authority:	<u>Tax Bonds*</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 43,350,000	\$ 39,500,000
Amount Issued	<u>43,350,000</u>	<u>3,284,393</u>
Remaining to be Issued	<u>\$ - 0 -</u>	<u>\$ 36,215,607</u>

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding May 31, 2018	Paying Agent
	Principal	Interest		
\$	\$ 845,000	\$ 123,200	\$ 2,185,000	Mellon Trust Company, N.A Dallas, TX
	25,000	140,500	3,725,000	The Bank of New York Mellon Trust Company, N.A Dallas, TX
	300,000	123,775	3,220,000	The Bank of New York Mellon Trust Company, N.A Dallas, TX
	120,000	119,325	3,695,000	The Bank of New York Mellon Trust Company, N.A Dallas, TX
	545,000	88,350	2,440,000	The Bank of New York Mellon Trust Company, N.A Dallas, TX
	140,000	73,920	2,660,000	The Bank of New York Mellon Trust Company, N.A Dallas, TX
\$ - 0 -	\$ 1,975,000	\$ 669,070	\$ 17,925,000	

Debt Service Fund cash and investment balances as of May 31, 2018: \$ 1,520,219

Average annual debt service payment (principal and interest) for remaining term  
of all debt: \$ 1,928,125

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		
	2018	2017	2016
<b>REVENUES</b>			
Property Taxes	\$ 1,046,193	\$ 1,014,896	\$ 958,592
Water Service	949,104	1,031,945	1,049,623
Wastewater Service	1,317,678	1,342,534	1,346,888
Groundwater Conservation District Fees	32,237	28,341	27,763
Surface Water Revenues	1,102,424	1,144,294	1,106,260
Penalty and Interest	56,272	60,198	63,358
Tap Connection and Inspection Fees	2,595	1,970	630
Investment Revenues	7,479	4,993	4,036
Miscellaneous Revenues	<u>86,801</u>	<u>59,979</u>	<u>28,828</u>
<b>TOTAL REVENUES</b>	<u>\$ 4,600,783</u>	<u>\$ 4,689,150</u>	<u>\$ 4,585,978</u>
<b>EXPENDITURES</b>			
Professional Fees	\$ 138,617	\$ 159,439	\$ 170,246
Contracted Services	267,191	246,324	240,039
Security Services	628,559	668,951	627,593
Solid Waste Disposal	710,941	642,254	623,233
Utilities	217,741	221,250	206,270
Groundwater Conservation District Assessment			6,324
Surface Water Fees/Pumpage Fees	1,062,492	1,143,430	1,058,704
Repairs and Maintenance	699,706	620,589	581,236
Park and Recreation	194,841	155,165	134,261
Other	446,194	425,429	442,501
Capital Outlay	<u>354,192</u>	<u>239,049</u>	<u>246,371</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,720,474</u>	<u>\$ 4,521,880</u>	<u>\$ 4,336,778</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (119,691)</u>	<u>\$ 167,270</u>	<u>\$ 249,200</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Contribution from Other Governmental Entity	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (119,691)	\$ 167,270	\$ 249,200
<b>BEGINNING FUND BALANCE</b>	<u>3,301,284</u>	<u>3,134,014</u>	<u>2,884,814</u>
<b>ENDING FUND BALANCE</b>	<u><u>\$ 3,181,593</u></u>	<u><u>\$ 3,301,284</u></u>	<u><u>\$ 3,134,014</u></u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2015	2014	2018	2017	2016	2015	2014
\$ 761,122	\$ 596,954	22.7 %	21.7 %	20.9 %	18.6 %	15.4 %
989,197	1,087,814	20.6	22.0	22.9	24.1	27.9
1,322,427	1,382,224	28.6	28.6	29.4	32.2	35.5
25,603	24,555	0.7	0.6	0.6	0.6	0.6
886,408	709,543	24.0	24.4	24.1	21.6	18.2
62,408	64,012	1.2	1.3	1.4	1.5	1.6
655	1,575	0.1				
3,573	3,503	0.2	0.1	0.1	0.1	0.1
52,561	28,815	1.9	1.3	0.6	1.3	0.7
<u>\$ 4,103,954</u>	<u>\$ 3,898,995</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 103,438	\$ 114,487	3.0 %	3.4 %	3.7 %	2.5 %	2.9 %
222,446	218,677	5.8	5.3	5.2	5.4	5.6
512,315	547,848	13.7	14.3	13.7	12.5	14.1
585,654	569,326	15.5	13.7	13.6	14.3	14.6
232,685	179,654	4.7	4.7	4.5	5.7	4.6
37,500	37,500			0.1	0.9	1.0
809,076	777,905	23.1	24.4	23.1	19.7	20.0
398,194	576,926	15.2	13.2	12.7	9.7	14.8
202,886	106,217	4.2	3.3	2.9	4.9	2.7
478,803	507,367	9.7	9.1	9.6	11.7	13.0
1,393,412	233,535	7.7	5.1	5.4	34.0	6.0
<u>\$ 4,976,409</u>	<u>\$ 3,869,442</u>	<u>102.6 %</u>	<u>96.5 %</u>	<u>94.5 %</u>	<u>121.3 %</u>	<u>99.3 %</u>
<u>\$ (872,455)</u>	<u>\$ 29,553</u>	<u>(2.6) %</u>	<u>3.5 %</u>	<u>5.5 %</u>	<u>(21.3) %</u>	<u>0.7 %</u>
<u>\$ 1,586,060</u>	<u>\$ 163,889</u>					
\$ 713,605	\$ 193,442					
<u>2,171,209</u>	<u>1,977,767</u>					
<u>\$ 2,884,814</u>	<u>\$ 2,171,209</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2018	2017	2016
<b>REVENUES</b>			
Property Taxes	\$ 2,513,100	\$ 2,574,751	\$ 2,560,450
Penalty and Interest	11,368	11,552	13,993
Investment Revenues	12,061	5,948	5,734
Miscellaneous Revenues	<u>2,434</u>	<u></u>	<u></u>
<b>TOTAL REVENUES</b>	<u>\$ 2,538,963</u>	<u>\$ 2,592,251</u>	<u>\$ 2,580,177</u>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 35,977	\$ 46,001	\$ 43,993
Debt Service Principal	1,975,000	1,965,000	1,995,000
Debt Service Interest and Fees	673,120	720,568	737,014
Payment to Refunded Escrow Agent			
Bond Issuance Costs	<u></u>	<u></u>	<u>85,077</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,684,097</u>	<u>\$ 2,731,569</u>	<u>\$ 2,861,084</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (145,134)</u>	<u>\$ (139,318)</u>	<u>\$ (280,907)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refunding Bonds	\$	\$	\$ 2,925,000
Payment to Refunding Bond Escrow Agent			(2,840,660)
Bond Discount	<u></u>	<u></u>	<u></u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 84,340</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (145,134)	\$ (139,318)	\$ (196,567)
<b>BEGINNING FUND BALANCE</b>	<u>1,621,498</u>	<u>1,760,816</u>	<u>1,957,383</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 1,476,364</u>	<u>\$ 1,621,498</u>	<u>\$ 1,760,816</u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>3,777</u>	<u>3,779</u>	<u>3,777</u>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>3,607</u>	<u>3,605</u>	<u>3,606</u>

See accompanying independent auditor's report.



		Percentage of Total Revenue				
2015	2014	2018	2017	2016	2015	2014
\$ 2,637,636	\$ 2,662,890	99.1 %	99.4 %	99.3 %	99.3 %	99.0 %
13,203	19,066	0.4	0.4	0.5	0.5	0.7
5,945	6,899	0.5	0.2	0.2	0.2	0.3
<u>\$ 2,656,784</u>	<u>\$ 2,688,855</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 28,774	\$ 32,409	1.4 %	1.8 %	1.7 %	1.1 %	1.2 %
1,895,000	1,815,000	77.8	75.8	77.3	71.3	67.5
866,988	1,002,269	26.5	27.8	28.6	32.6	37.3
	10,000					0.4
	162,850			3.3		6.1
<u>\$ 2,790,762</u>	<u>\$ 3,022,528</u>	<u>105.7 %</u>	<u>105.4 %</u>	<u>110.9 %</u>	<u>105.0 %</u>	<u>112.5 %</u>
<u>\$ (133,978)</u>	<u>\$ (333,673)</u>	<u>(5.7) %</u>	<u>(5.4) %</u>	<u>(10.9) %</u>	<u>(5.0) %</u>	<u>(12.5) %</u>
\$	\$ 4,595,000					
	(4,618,332)					
	184,584					
<u>\$ - 0 -</u>	<u>\$ 161,252</u>					
\$ (133,978)	\$ (172,421)					
<u>2,091,361</u>	<u>2,263,782</u>					
<u>\$ 1,957,383</u>	<u>\$ 2,091,361</u>					
<u>3,772</u>	<u>3,776</u>					
<u>3,593</u>	<u>3,595</u>					

See accompanying independent auditor's report.

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**MAY 31, 2018**

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

<b>Board Members</b>	<b>Term of Office (Elected or Appointed)</b>	<b>Fees of Office for the year ended May 31, 2018</b>	<b>Expense Reimbursements for the year ended May 31, 2018</b>	<b>Title</b>
Jon Vallery	05/18 – 05/22 (Elected)	\$ 1,625	\$ -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
James Ridgway	05/18 – 05/22 (Elected)	\$ -0-	\$ -0-	Director
James W. Nichols	05/18 – 05/22 (Elected)	\$ -0-	\$ -0-	Director
<b>Former Board Members</b>				
Michael Smith	05/14 – 05/18 (Elected)	\$ 1,375	\$ -0-	Assistant Secretary
Paul W. Alli	05/14 – 06/17 (Resigned)	\$ 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 11, 2018.

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, 2018**

	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2018</u>	<u>Title</u>
<b>Consultants:</b>			
Smith, Murdaugh, Little & Bonham, LLP	05/84	\$ 97,153	General Counsel
McCall Gibson Swedlund Barfoot PLLC	05/10/99	\$ 14,000	Auditor
Myrtle Cruz, Inc.	12/80	\$ 38,851	Bookkeeper
Linebarger Goggan Blair & Sampson, LLP	07/01/08	\$ 4,024	Delinquent Tax Attorney
IDS Engineering Group	12/14/98	\$ 98,370	Engineer
Hilltop Securities Inc.	04/78	\$ -0-	Financial Advisor
Bill Russell	02/04	\$ -0-	Investment Officer
Municipal Operations & Consulting	05/13/02	\$ 1,055,549	Operator
Montgomery County		\$ 628,559	Security

See accompanying independent auditor's report.

