

ROLLING CREEK UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

JULY 31, 2017

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Roth & Eyring, PLLC

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November 1, 2017

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rolling Creek Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each fund of Rolling Creek Utility District, as of and for the year ended July 31, 2017, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

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 of 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 of 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 assessment of the risk 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 entity'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 fund of Rolling Creek Utility District as of July 31, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)**Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 8 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 21 be presented to supplement the basic financial statements. Such information, although not 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 22 to 41 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by our firm.

North & Cousins, PLLC

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Rolling Creek Utility District (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended July 31, 2017.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. Other activities, such as garbage collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position*, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Current and other assets	\$ 5,780,956	\$ 5,465,989	\$ 314,967
Capital assets	9,450,885	9,667,372	(216,487)
Total assets	<u>15,231,841</u>	<u>15,133,361</u>	<u>98,480</u>
Long-term liabilities	14,104,145	14,599,650	(495,505)
Other liabilities	838,676	856,047	(17,371)
Total liabilities	<u>14,942,821</u>	<u>15,455,697</u>	<u>(512,876)</u>
Net position:			
Invested in capital assets, net of related debt	(5,144,186)	(5,416,943)	272,757
Restricted	3,149,127	2,964,322	184,805
Unrestricted	2,284,079	2,130,285	153,794
Total net position	<u>\$ 289,020</u>	<u>\$ (322,336)</u>	<u>\$ 611,356</u>

Summary of Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenues:			
Property taxes	\$ 1,844,890	\$ 1,804,992	\$ 39,898
Charges for services	1,360,775	1,251,487	109,288
Other revenues	20,750	14,544	6,206
Total revenues	<u>3,226,415</u>	<u>3,071,023</u>	<u>155,392</u>
Expenses:			
Service operations	2,094,746	1,916,739	178,007
	520,313	541,073	(20,760)
Total expenses	<u>2,615,059</u>	<u>2,457,812</u>	<u>157,247</u>
Special Items:			
Proceeds from reserve of capacity	<u>0</u>	<u>108,631</u>	<u>(108,631)</u>
Change in net position	611,356	721,842	(110,486)
Net position, beginning of year	<u>(322,336)</u>	<u>(1,044,178)</u>	<u>721,842</u>
Net position, end of year	<u>\$ 289,020</u>	<u>\$ (322,336)</u>	<u>\$ 611,356</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended July 31, 2017, were \$5,423,481, an increase of \$331,708 from the prior year.

The General Fund balance increased by \$152,103, as revenues and the reimbursement of \$13,052 from the Capital Projects Fund exceeded expenditures.

The Debt Service Fund balance increased by \$202,180, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by \$22,575, as authorized expenditures and the reimbursement of \$13,052 to the General Fund exceeded interest earnings on deposits.

General Fund Budgetary Highlights

The Board of Directors amended the budget during the fiscal year. The original budget adopted by the Board of Directors anticipated an increase in the fund balance during the year of \$48,583. During the fiscal year, the Board of Directors adopted an amended budget which anticipated an increase in the fund balance during the year of \$91,705. The changes from the original budget to the final budget were an increase in maintenance tax revenues and increases in projected contracted services and repairs and maintenance expenditures.

The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 21 of this report. The budgetary fund balance as of July 31, 2017, was expected to be \$2,211,293, and the actual end of year fund balance was \$2,271,691.

Capital Asset and Debt Administration

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows:

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Land	\$ 141,215	\$ 141,215	\$ 0
Construction in progress	2,480,212	2,386,346	93,866
Water facilities	2,581,335	2,773,487	(192,152)
Sewer facilities	2,879,068	2,944,210	(65,142)
Drainage facilities	<u>1,369,055</u>	<u>1,422,114</u>	<u>(53,059)</u>
Totals	<u>\$ 9,450,885</u>	<u>\$ 9,667,372</u>	<u>\$ (216,487)</u>

Changes to capital assets during the fiscal year ended July 31, 2017, are summarized as follows:

Additions:

Expansion of the wastewater treatment plant	\$ 7,900
Various equipment replacements	54,423
Water and sewer line relocation	<u>85,966</u>
Total additions to capital assets	148,289

Decreases:

Depreciation	<u>(364,776)</u>
Net change to capital assets	<u>\$ (216,487)</u>

Debt

Changes in the bonded debt position of the District during the fiscal year ended July 31, 2017, are summarized as follows:

Bonded debt payable, beginning of year	\$ 12,920,000
Bonds paid	<u>(520,000)</u>
Bonded debt payable, end of year	<u>\$ 12,400,000</u>

At July 31, 2017, the District had \$45,460,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The District's bonds have an underlying rating of BBB+ by Standard & Poor's. The Series 2010 and 2012 bonds are insured by Assured Guaranty Municipal Corp., the Series 2014 bonds are insured by Build America Mutual Assurance Company and the Series 2015 bonds are insured by Municipal Assurance Corp. The insured rating of the Series 2010, 2012, 2014 and 2015 bonds is AA by Standard & Poor's. The Series 2012 bonds are also rated A2 by Moody's. There were no changes in the bond ratings during the fiscal year ended July 31, 2017.

As further described in Note 5 of the notes to the financial statements, developers within the District are constructing water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. At July 31, 2017, the estimated amount due to developers was \$2,362,331.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$24,300,000 for the 2016 tax year (approximately 11%), due to the addition of new houses to the tax base and the increase in the average assessed valuations on existing property.

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston without the District's consent. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District would be annexed for limited purposes by the City. The terms of any such agreement would be determined by the City and the District.

The District is not aware of any plans regarding annexation or a strategic partnership with the City of Houston.

Water Supply Issues

The District is within the Harris-Galveston Subsidence District (the "Subsidence District") Regulatory Area No. 3. The Subsidence District regulates the withdrawal of groundwater within its jurisdiction. The District's authority to pump ground water from its well is subject to annual permits issued by the Subsidence District. The Subsidence District has ordered certain areas of suburban Houston to convert most of their water supply to surface water under various schedules. Beginning in January 2003, the District was required to have a groundwater reduction plan ("GRP"), approved by the Subsidence District. The Subsidence District has designated January 2010, as the date required for the District to restrict the withdrawal of ground water and convert 30% of its total water use to surface water; January 2025, as the date required for the District to restrict the withdrawal of ground water and convert 60% of its total water use to surface water and January 2035, as the date required for the District to restrict the withdrawal of ground water and convert 80% of its total water use to surface water. If the District does not meet the requirements of the Subsidence District, the District may be required to pay the disincentive fees adopted by the Subsidence District.

In May, 2001, the Texas Legislature created the West Harris County Regional Water Authority (the "Authority") and included the District within the boundaries of the Authority. The Authority was created to provide a regional entity to build the necessary facilities to meet the subsidence District's requirements for conversion from ground water to surface water of all permit holders within its boundaries, including the District. Accordingly, the District is required to pay groundwater reduction plan fees to the Authority, and in turn is entitled to rely upon the Authority's GRP to achieve compliance with the subsidence District's requirements. In accordance with the GRP, the Authority has negotiated a water supply contract with the City of Houston and has issued revenue bonds to finance the surface water supply system. The Authority may establish such fees, charges, or tolls as necessary to accomplish its purposes. At July 31, 2017, the Authority's well pumpage fee was equal to \$2.45 per 1,000 gallons pumped, and is expected to increase in the future. At July 31, 2017, the Authority's surface water usage fee was equal to \$2.85 per 1,000 gallons, and is expected to increase in the future.

The District cannot predict the amount or level of fees and charges which may be due the Authority for future years, but anticipates that it will pass such fees through to its customers in higher water and sewer rates. In addition, conversion to surface water will necessitate improvements to the District's water supply system, which could require issuance of additional bonds. In the event the Authority fails to commence construction of surface water infrastructure by the deadline established by the Subsidence District, the District and others within the Authority's GRP group could be required to pay the disincentive fee on withdrawn groundwater. This disincentive fee is substantial, and the District expects it would need to pass such fee through to its customers in higher water and sewer rates. This disincentive fee would be in addition to the Authority's fee.

ROLLING CREEK UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

JULY 31, 2017

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 580,345	\$ 799,546	\$ 471,177	\$ 1,851,068	\$	\$ 1,851,068
Certificates of deposit, at cost, Note 7	725,051	1,330,142		2,055,193		2,055,193
Temporary investments, at cost, Note 7	802,630	501,934		1,304,564		1,304,564
Receivables:						
Property taxes	12,388	28,956		41,344		41,344
Accrued penalty and interest on property taxes				0	13,033	13,033
Service accounts	106,294			106,294		106,294
Accrued interest	1,961	5,532		7,493		7,493
Other	14,941			14,941		14,941
Advance to other governmental entity for construction	312,214			312,214		312,214
Prepaid expenditures	5,596			5,596		5,596
Due from developer			69,216	69,216		69,216
Maintenance taxes collected not yet transferred from other fund	784			784	(784)	0
Due from other fund	23,366			23,366	(23,366)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	2,621,427	2,621,427
Depreciable capital assets				0	6,829,458	6,829,458
Total assets	<u>\$2,585,570</u>	<u>\$2,666,110</u>	<u>\$ 540,393</u>	<u>\$ 5,792,073</u>	<u>9,439,768</u>	<u>15,231,841</u>
LIABILITIES						
Accounts payable	\$ 205,979	\$ 1,607	\$	\$ 207,586		207,586
Accrued interest payable				0	40,074	40,074
Customer and builder deposits	95,512			95,512		95,512
Maintenance taxes collected not yet transferred to other fund		784		784	(784)	0
Due to other fund			23,366	23,366	(23,366)	0
Long-term liabilities, Note 5:						
Due within one year				0	495,504	495,504
Due in more than one year				0	14,104,145	14,104,145
Total liabilities	<u>301,491</u>	<u>2,391</u>	<u>23,366</u>	<u>327,248</u>	<u>14,615,573</u>	<u>14,942,821</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>12,388</u>	<u>28,956</u>	<u>0</u>	<u>41,344</u>	<u>(41,344)</u>	<u>0</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Restricted for future construction, Note 7			4,578	4,578	(4,578)	0
Assigned to:						
Debt service		2,634,763		2,634,763	(2,634,763)	0
Capital projects			512,449	512,449	(512,449)	0
Unassigned	<u>2,271,691</u>			<u>2,271,691</u>	<u>(2,271,691)</u>	<u>0</u>
Total fund balances	<u>2,271,691</u>	<u>2,634,763</u>	<u>517,027</u>	<u>5,423,481</u>	<u>(5,423,481)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$2,585,570</u>	<u>\$2,666,110</u>	<u>\$ 540,393</u>	<u>\$ 5,792,073</u>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(5,144,186)	(5,144,186)
Restricted for debt service					2,636,678	2,636,678
Restricted for capital projects					512,449	512,449
Unrestricted					<u>2,284,079</u>	<u>2,284,079</u>
Total net position					<u>\$ 289,020</u>	<u>\$ 289,020</u>

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

ROLLING CREEK UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 587,991	\$ 1,247,807	\$	\$ 1,835,798	\$ 3,801	\$ 1,839,599
Water service	364,165			364,165		364,165
Sewer service	461,508			461,508		461,508
Surface water fees, Note 9	384,565			384,565		384,565
Penalty, interest and other	48,412	3,425		51,837	1,866	53,703
Tap connection and inspection fees	99,755			99,755		99,755
Interest on deposits and investments	8,617	10,595	1,538	20,750		20,750
Other	2,370			2,370		2,370
Total revenues	<u>1,957,383</u>	<u>1,261,827</u>	<u>1,538</u>	<u>3,220,748</u>	<u>5,667</u>	<u>3,226,415</u>
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	180,857	9,633	11,061	201,551		201,551
Contracted services	76,923	31,586		108,509		108,509
Utilities	86,503			86,503		86,503
Surface water fees, Note 9	376,044			376,044		376,044
Repairs, maintenance and other operating expenditures	543,618			543,618		543,618
Security services	67,150			67,150		67,150
Garbage disposal	226,490			226,490		226,490
Administrative expenditures	76,863	7,647		84,510		84,510
Depreciation				0	364,776	364,776
Capital outlay / non-capital outlay	183,884			183,884	(148,289)	35,595
Debt service:						
Principal retirement		520,000		520,000	(520,000)	0
Interest and fees		490,781		490,781	29,532	520,313
Total expenditures / expenses	<u>1,818,332</u>	<u>1,059,647</u>	<u>11,061</u>	<u>2,889,040</u>	<u>(273,981)</u>	<u>2,615,059</u>
Excess (deficiency) of revenues over expenditures	<u>139,051</u>	<u>202,180</u>	<u>(9,523)</u>	<u>331,708</u>	<u>279,648</u>	<u>611,356</u>
OTHER FINANCING SOURCES (USES)						
Reimbursement to (from) other fund, Note 7	13,052		(13,052)	0	0	0
Total other financing sources (uses)	<u>13,052</u>	<u>0</u>	<u>(13,052)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances / net position	152,103	202,180	(22,575)	331,708	279,648	611,356
Beginning of year	<u>2,119,588</u>	<u>2,432,583</u>	<u>539,602</u>	<u>5,091,773</u>	<u>(5,414,109)</u>	<u>(322,336)</u>
End of year	<u>\$ 2,271,691</u>	<u>\$ 2,634,763</u>	<u>\$ 517,027</u>	<u>\$ 5,423,481</u>	<u>\$ (5,134,461)</u>	<u>\$ 289,020</u>

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

ROLLING CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2017

NOTE 1: REPORTING ENTITY

Rolling Creek Utility District (the "District") was created by Acts of the 62nd Legislature of the State of Texas, Regular Session, 1971, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on January 17, 1984, and the first bonds were sold on September 30, 1985. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are either not spendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures of the fund from which they are paid.

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 5,423,481
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		9,450,885
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (12,400,000)	
Less: Deferred charge on refunding (to be amortized as interest expense)	170,400	
Less: Issuance discount net of premium (to be amortized as interest expense)	(7,718)	
Due to developers	<u>(2,362,331)</u>	(14,599,649)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	13,033	
Uncollected property taxes	<u>41,344</u>	54,377
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(40,074)</u>
Net position, end of year		<u>\$ 289,020</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		\$ 331,708
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 148,289	
Depreciation	<u>(364,776)</u>	(216,487)
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Principal reduction		520,000
<p>The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>		
Refunding charges	(25,748)	
Issuance discount net of premium	<u>(5,008)</u>	(30,756)
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	1,866	
Uncollected property taxes	<u>3,801</u>	5,667
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:</p>		
Accrued interest		<u>1,224</u>
Change in net position		<u>\$ 611,356</u>

NOTE 4: CAPITAL ASSETS

At July 31, 2017, "Invested in capital assets, net of related debt" was \$(5,144,186). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended July 31, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 141,215	\$	\$	\$ 141,215
Construction in progress	<u>2,386,346</u>	<u>93,866</u>		<u>2,480,212</u>
Total capital assets not being depreciated	<u>2,527,561</u>	<u>93,866</u>	<u>0</u>	<u>2,621,427</u>
Depreciable capital assets:				
Water system	5,619,437			5,619,437
Sewer system	4,667,464	54,423		4,721,887
Drainage system	<u>2,387,637</u>			<u>2,387,637</u>
Total depreciable capital assets	<u>12,674,538</u>	<u>54,423</u>	<u>0</u>	<u>12,728,961</u>
Less accumulated depreciation for:				
Water system	(2,845,950)	(192,152)		(3,038,102)
Sewer system	(1,723,254)	(119,565)		(1,842,819)
Drainage system	<u>(965,523)</u>	<u>(53,059)</u>		<u>(1,018,582)</u>
Total accumulated depreciation	<u>(5,534,727)</u>	<u>(364,776)</u>	<u>0</u>	<u>(5,899,503)</u>
Total depreciable capital assets, net	<u>7,139,811</u>	<u>(310,353)</u>	<u>0</u>	<u>6,829,458</u>
Total capital assets, net	<u>\$ 9,667,372</u>	<u>\$ (216,487)</u>	<u>\$ 0</u>	<u>\$ 9,450,885</u>
Changes to capital assets:				
Capital outlay		\$ 148,289	\$	
Less depreciation expense for the fiscal year		<u>(364,776)</u>		
Net increases / decreases to capital assets		<u>\$ (216,487)</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended July 31, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 12,920,000	\$	\$ 520,000	\$ 12,400,000	\$ 530,000
Less deferred amounts:					
For refunding charges	(196,148)		(25,748)	(170,400)	(24,361)
For issuance (discounts) premiums	<u>2,710</u>		<u>(5,008)</u>	<u>7,718</u>	<u>(10,135)</u>
Total bonds payable	<u>12,726,562</u>	<u>0</u>	<u>489,244</u>	<u>12,237,318</u>	<u>495,504</u>
Due to developers (see below)	<u>2,362,331</u>	<u>0</u>	<u>0</u>	<u>2,362,331</u>	<u>-----</u>
Total long-term liabilities	<u>\$ 15,088,893</u>	<u>\$ 0</u>	<u>\$ 489,244</u>	<u>\$ 14,599,649</u>	<u>\$ 495,504</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Developer Construction Commitments and Liabilities

Developers within the District are currently constructing certain underground facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The developer's engineer stated that cost of the construction in progress at July 31, 2017, was \$2,362,331. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

As of July 31, 2017, the debt service requirements on the bonds payable were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 530,000	\$ 472,495	\$ 1,002,495
2019	545,000	455,482	1,000,482
2020	570,000	436,919	1,006,919
2021	590,000	416,607	1,006,607
2022	635,000	394,119	1,029,119
2023 - 2027	3,605,000	1,578,604	5,183,604
2028 - 2032	4,400,000	780,649	5,180,649
2033 - 2034	<u>1,525,000</u>	<u>68,718</u>	<u>1,593,718</u>
	<u>\$ 12,400,000</u>	<u>\$ 4,603,593</u>	<u>\$ 17,003,593</u>

Bonds voted	\$ 64,605,000
Bonds approved for sale and sold for facilities and refunding	19,145,000
Bonds voted and not issued	45,460,000

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.

The bond issues payable at July 31, 2017, were as follows:

	<u>Refunding Series 2010</u>	<u>Refunding Series 2012</u>
Amounts outstanding, July 31, 2017	\$3,840,000	\$3,425,000
Interest rates	3.50% to 4.00%	2.25% to 4.25%
Maturity dates, serially beginning/ending	September 1, 2017/2025	September 1, 2017/2030
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates	September 1, 2017*	September 1, 2019*

*Or any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Series 2014</u>	<u>Refunding Series 2015</u>
Amounts outstanding, July 31, 2017	\$2,950,000	\$2,185,000
Interest rates	4.00% to 5.00%	2.00% to 3.125%
Maturity dates, serially beginning/ending	September 1, 2017/2033	September 1, 2017/2030
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates	September 1, 2021*	September 1, 2022*

*Or any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District.

NOTE 6: PROPERTY TAXES

The Harris County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

The Bond Resolutions require that the District 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.

At an election held April 7, 1984, the voters within the District authorized a maintenance tax not to exceed \$0.25 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 5, 2016 the District levied the following ad valorem taxes for the 2016 tax year on the adjusted taxable valuation of \$235,960,419:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.5300	\$ 1,250,590
Maintenance	<u>0.2500</u>	<u>589,901</u>
	<u>\$ 0.7800</u>	<u>\$ 1,840,491</u>

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2016 tax year total property tax levy	\$ 1,840,491
Appraisal district adjustments to prior year taxes	<u>(892)</u>
Statement of Activities property tax revenues	<u>\$ 1,839,599</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and in TexPool, a local government investment pool sponsored by the State Comptroller. TexPool is rated AAAM by Standard & Poor's.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$3,906,261 and the bank balance was \$3,921,136. Of the bank balance, \$2,587,504 was covered by federal insurance and \$1,333,632 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Atlanta.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$1,304,564.

Deposits and temporary investments restricted by state statutes and the Bond Resolutions:

Debt Service Fund

For payment of debt principal and interest,
paying agent fees and costs of assessing and
collecting taxes:

Cash	\$ 799,546
Certificates of deposit	1,330,142
Temporary investments	<u>501,934</u>
	<u>\$ 2,631,622</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$ <u>471,177</u>
------	-------------------

At July 31, 2017, the Texas Commission on Environmental Quality required that the District escrow \$4,578 from the proceeds of its Series 2002 issue. At the balance sheet date, these funds were invested in an interest-bearing cash account.

During the fiscal year ended July 31, 2017, the District reimbursed the General Fund \$13,052 from the Capital Projects Fund in accordance with the rules of the Texas Commission on Environmental Quality.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At July 31, 2017, the District had physical damage and boiler and machinery coverage of \$8,000,000, comprehensive general liability coverage with a per occurrence limit of \$2,000,000 and \$4,000,000 general aggregate, automobile liability coverage of \$2,000,000, pollution coverage of \$2,000,000, statutory worker's compensation coverage, consultant's crime coverage of \$50,000 and a tax assessor-collector bond of \$50,000.

NOTE 9: REGIONAL WATER AUTHORITY

The West Harris County Regional Water Authority (the "Authority") was created by House Bill 1842, Acts of the 77th Legislature, Regular Session 2001. The Authority is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of July 31, 2017, the Authority had established a well pumpage fee of \$2.45 per 1,000 gallons of water pumped from each regulated well and a surface water usage fee of \$2.85 per 1,000 gallons of water purchased. The District's pumpage and surface water fees payable to the Authority for the fiscal year ended July 31, 2017, were \$376,044. The District billed its customers \$384,565 during the fiscal year to pay for the fees charged by the Authority.

ROLLING CREEK UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 517,695	\$ 579,285	\$ 587,991	\$ 8,706
Water service	350,000	350,000	364,165	14,165
Sewer service	400,000	400,000	461,508	61,508
Surface water fees	300,000	300,000	384,565	84,565
Penalty and other	31,500	31,500	48,412	16,912
Tap connection and inspection fees	55,000	55,000	99,755	44,755
Interest on deposits and investments	2,000	2,000	8,617	6,617
Other	<u>0</u>	<u>0</u>	<u>2,370</u>	<u>2,370</u>
TOTAL REVENUES	<u>1,656,195</u>	<u>1,717,785</u>	<u>1,957,383</u>	<u>239,598</u>
EXPENDITURES				
Service operations:				
Professional fees	213,750	213,750	180,857	(32,893)
Contracted services	77,700	82,668	76,923	(5,745)
Utilities	100,000	100,000	86,503	(13,497)
Surface water fees	330,000	330,000	376,044	46,044
Repairs, maintenance and other operating expenditures	522,500	536,000	543,618	7,618
Security services	67,152	67,152	67,150	(2)
Garbage disposal	225,000	225,000	226,490	1,490
Administrative expenditures	61,510	61,510	76,863	15,353
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>183,884</u>	<u>173,884</u>
TOTAL EXPENDITURES	<u>1,607,612</u>	<u>1,626,080</u>	<u>1,818,332</u>	<u>192,252</u>
EXCESS REVENUES (EXPENDITURES)	<u>48,583</u>	<u>91,705</u>	<u>139,051</u>	<u>47,346</u>
OTHER FINANCING SOURCES (USES)				
Reimbursement from other fund	<u>0</u>	<u>0</u>	<u>13,052</u>	<u>13,052</u>
TOTAL OTHER FINANCIAL SOURCES (USES)	<u>0</u>	<u>0</u>	<u>13,052</u>	<u>13,052</u>
EXCESS SOURCES (USES)	48,583	91,705	152,103	60,398
FUND BALANCE, BEGINNING OF YEAR	<u>2,119,588</u>	<u>2,119,588</u>	<u>2,119,588</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,168,171</u>	<u>\$ 2,211,293</u>	<u>\$ 2,271,691</u>	<u>\$ 60,398</u>

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
JULY 31, 2017

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in General Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

ROLLING CREEK UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES
JULY 31, 2017

1. Services Provided by the District during the Fiscal Year:

- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input checked="" type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> Other | | |

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	\$21.00	10,000	N	\$1.50 2.00	10,000 to 20,000 Over 20,000
WASTEWATER:	\$33.19		Y		
SURCHARGE:	\$3.08 per 1,000 gallons of water used. – WHCRWA surface water fees. 0.50 % of monthly billing -- TCEQ assessment fees.				

District employs winter averaging for wastewater usage: Yes No

Total charges per 10,000 gallons usage: Water: \$21.00 Wastewater: \$33.19 Surcharge: \$31.07

ROLLING CREEK UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES (Continued)
JULY 31, 2017

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	0	0	1.0	0
< or = 3/4"	1,171	1,162	1.0	1,162
1"	14	14	2.5	35
1-1/2"	4	4	5.0	20
2"	21	21	8.0	168
3"	0	0	15.0	0
4"	1	0	25.0	0
6"	0	0	50.0	0
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	<u>1,211</u>	<u>1,201</u>		<u>1,385</u>
Total Wastewater	<u>1,180</u>	<u>1,171</u>	1.0	<u>1,171</u>

*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited): 135,715
 Gallons billed to customers (unaudited): 131,027

Water Accountability Ratio
 (Gallons billed/ gallons pumped): 97%

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

If yes, date of the most recent Commission Order: _____

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

If yes, date of the most recent Commission Order: _____

ROLLING CREEK UTILITY DISTRICTEXPENDITURESFOR THE YEAR ENDED JULY 31, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Professional fees:				
Auditing	\$ 10,600	\$	\$ 11,061	\$ 10,600
Legal	92,941	9,633		113,635
Engineering	77,316			77,316
	<u>180,857</u>	<u>9,633</u>	<u>11,061</u>	<u>201,551</u>
Contracted services:				
Bookkeeping	17,850			17,850
Operation and billing	59,073			59,073
Tax assessor-collector		17,728		17,728
Central appraisal district		13,858		13,858
	<u>76,923</u>	<u>31,586</u>	<u>0</u>	<u>108,509</u>
Utilities	<u>86,503</u>	<u>0</u>	<u>0</u>	<u>86,503</u>
Surface water fees:				
Ground water pumpage fees	5,524			5,524
Purchased surface water	370,520			370,520
	<u>376,044</u>	<u>0</u>	<u>0</u>	<u>376,044</u>
Repairs, maintenance, and other operating expenditures:				
Repairs and maintenance	433,133			433,133
Sludge hauling	45,360			45,360
Chemicals	6,055			6,055
Laboratory costs	32,581			32,581
Sewer inspection costs	22,455			22,455
TCEQ assessment	4,034			4,034
	<u>543,618</u>	<u>0</u>	<u>0</u>	<u>543,618</u>
Security services	<u>67,150</u>	<u>0</u>	<u>0</u>	<u>67,150</u>
Garbage disposal	<u>226,490</u>	<u>0</u>	<u>0</u>	<u>226,490</u>
Administrative expenditures:				
Director's fees	12,000			12,000
Office supplies and postage	27,941			27,941
Insurance	19,893	250		20,143
Permit fees	4,476			4,476
Other	12,553	7,397		19,950
	<u>76,863</u>	<u>7,647</u>	<u>0</u>	<u>84,510</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT
EXPENDITURES (Continued)
FOR THE YEAR ENDED JULY 31, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY				
Authorized expenditures	\$ 148,289	\$	\$	\$ 148,289
Tap connection costs	35,595			35,595
	<u>183,884</u>	<u>0</u>	<u>0</u>	<u>183,884</u>
DEBT SERVICE				
Principal retirement	<u>0</u>	<u>520,000</u>	<u>0</u>	<u>520,000</u>
Interest and fees:				
Interest		488,231		488,231
Paying agent fees		2,550		2,550
	<u>0</u>	<u>490,781</u>	<u>0</u>	<u>490,781</u>
TOTAL EXPENDITURES	<u>\$ 1,818,332</u>	<u>\$ 1,059,647</u>	<u>\$ 11,061</u>	<u>\$ 2,889,040</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JULY 31, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	\$ 1,349,725	\$ 1,261,327	\$ 1,538	\$ 2,612,590
Maintenance tax receipts		587,991		587,991
Transfer of maintenance taxes	588,106			588,106
Reimbursement from other fund	13,666			13,666
Increase in customer and builder deposits	1,627			1,627
Overpayments from taxpayers		<u>859</u>		<u>859</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	<u>1,953,124</u>	<u>1,850,177</u>	<u>1,538</u>	<u>3,804,839</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	1,660,090	47,259	11,061	1,718,410
Capital outlay	183,884			183,884
Debt service		1,010,781		1,010,781
Reimbursement to other fund			13,666	13,666
Advance to other governmental entity	312,214			312,214
Disbursements due from developer			69,216	69,216
Transfer of maintenance taxes		588,106		588,106
Refund of taxpayer overpayments		<u>859</u>		<u>859</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	<u>2,156,188</u>	<u>1,647,005</u>	<u>93,943</u>	<u>3,897,136</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	(203,064)	203,172	(92,405)	(92,297)
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>2,311,090</u>	<u>2,428,450</u>	<u>563,582</u>	<u>5,303,122</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 2,108,026</u>	<u>\$ 2,631,622</u>	<u>\$ 471,177</u>	<u>\$ 5,210,825</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

JULY 31, 2017

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of Deposit				
No. 13638	0.51%	1/04/18	\$ 241,811	\$ 703
No. 36126607	0.60%	3/07/18	242,040	571
No. 6000022514	0.50%	1/04/18	<u>241,200</u>	<u>687</u>
			<u>\$ 725,051</u>	<u>\$ 1,961</u>
TexPool				
No. 2677200002	Market	On demand	<u>\$ 802,630</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
Certificates of Deposit				
No. 9009002290	0.50%	8/05/17	\$ 246,299	\$ 1,215
No. 1852001631	0.75%	9/17/17	101,199	659
No. 4188361	0.40%	10/22/17	242,900	751
No. 531079	0.60%	11/28/17	246,563	993
No. 429738	0.90%	11/30/17	247,570	1,483
No. 1002162799	1.00%	5/28/18	<u>245,611</u>	<u>431</u>
			<u>\$ 1,330,142</u>	<u>\$ 5,532</u>
TexPool				
No. 2677200001	Market	On demand	<u>\$ 501,934</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 3,359,757</u>	<u>\$ 7,493</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2017

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 10,697	\$ 26,846
Additions and corrections to prior year taxes	<u>(219)</u>	<u>(673)</u>
Adjusted receivable, beginning of year	10,478	26,173
2016 ADJUSTED TAX ROLL	<u>589,901</u>	<u>1,250,590</u>
Total to be accounted for	600,379	1,276,763
Tax collections: Current tax year	(583,737)	(1,237,523)
Prior tax years	<u>(4,254)</u>	<u>(10,284)</u>
RECEIVABLE, END OF YEAR	<u>\$ 12,388</u>	<u>\$ 28,956</u>
RECEIVABLE, BY TAX YEAR		
2009	\$ 5	\$ 16
2010	0	0
2011	654	1,883
2012	260	748
2013	728	2,069
2014	1,569	3,953
2015	3,008	7,220
2016	<u>6,164</u>	<u>13,067</u>
RECEIVABLE, END OF YEAR	<u>\$ 12,388</u>	<u>\$ 28,956</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE (Continued)
FOR THE YEAR ENDED JULY 31, 2017

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Land	\$ 52,195,812	\$ 46,206,428	\$ 43,286,220	\$ 42,211,748
Improvements	192,481,724	178,531,304	150,718,686	106,941,883
Personal property	4,381,106	4,850,266	3,787,403	3,257,477
Less exemptions	<u>(13,098,223)</u>	<u>(17,942,457)</u>	<u>(16,907,536)</u>	<u>(7,074,215)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 235,960,419</u>	 <u>\$ 211,645,541</u>	 <u>\$ 180,884,773</u>	 <u>\$ 145,336,893</u>
 TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.53000	\$ 0.60000	\$ 0.63000	\$ 0.71000
Maintenance tax rates*	<u>0.25000</u>	<u>0.25000</u>	<u>0.25000</u>	<u>0.25000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.78000</u>	 <u>\$ 0.85000</u>	 <u>\$ 0.88000</u>	 <u>\$ 0.96000</u>
 TAX ROLLS	 <u>\$ 1,840,491</u>	 <u>\$ 1,798,988</u>	 <u>\$ 1,591,786</u>	 <u>\$ 1,395,234</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED	 <u>98.9 %</u>	 <u>99.4 %</u>	 <u>99.7 %</u>	 <u>99.8 %</u>

*Maximum tax rate approved by voters on April 7, 1984: \$0.25

ROLLING CREEK UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
JULY 31, 2017

<u>Due During Fiscal Years Ending July 31,</u>	<u>Series 2010</u>		
	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2018	\$ 360,000	\$ 143,650	\$ 503,650
2019	370,000	130,875	500,875
2020	385,000	116,700	501,700
2021	400,000	101,000	501,000
2022	415,000	84,700	499,700
2023	445,000	67,500	512,500
2024	465,000	49,300	514,300
2025	485,000	30,300	515,300
2026	515,000	10,300	525,300
TOTALS	<u>\$ 3,840,000</u>	<u>\$ 734,325</u>	<u>\$ 4,574,325</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
JULY 31, 2017

Due During Fiscal Years Ending July 31,	Series 2012		
	Principal Due September 1	Interest Due September 1, March 1	Total
2018	\$ 15,000	\$ 140,507	\$ 155,507
2019	15,000	140,169	155,169
2020	15,000	139,831	154,831
2021	15,000	139,419	154,419
2022	15,000	138,932	153,932
2023	15,000	138,444	153,444
2024	15,000	137,956	152,956
2025	15,000	137,468	152,468
2026	20,000	136,900	156,900
2027	590,000	124,775	714,775
2028	625,000	100,475	725,475
2029	655,000	74,056	729,056
2030	690,000	45,475	735,475
2031	725,000	15,406	740,406
TOTALS	<u>\$ 3,425,000</u>	<u>\$ 1,609,813</u>	<u>\$ 5,034,813</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
JULY 31, 2017

Due During Fiscal Years Ending July 31,	Series 2014		
	Principal Due September 1	Interest Due September 1, March 1	Total
2018	\$ 25,000	\$ 129,250	\$ 154,250
2019	25,000	128,000	153,000
2020	25,000	126,750	151,750
2021	25,000	125,500	150,500
2022	50,000	123,625	173,625
2023	50,000	121,125	171,125
2024	50,000	118,625	168,625
2025	50,000	116,125	166,125
2026	50,000	113,875	163,875
2027	50,000	111,875	161,875
2028	75,000	109,375	184,375
2029	75,000	106,375	181,375
2030	75,000	103,281	178,281
2031	75,000	100,094	175,094
2032	725,000	83,094	808,094
2033	750,000	51,281	801,281
2034	775,000	17,437	792,437
TOTALS	<u>\$ 2,950,000</u>	<u>\$ 1,785,687</u>	<u>\$ 4,735,687</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
JULY 31, 2017

Due During Fiscal Years Ending July 31,	Series 2015		
	Principal Due September 1	Interest Due September 1, March 1	Total
2018	\$ 130,000	\$ 59,088	\$ 189,088
2019	135,000	56,438	191,438
2020	145,000	53,638	198,638
2021	150,000	50,688	200,688
2022	155,000	46,862	201,862
2023	150,000	42,287	192,287
2024	160,000	37,637	197,637
2025	160,000	32,837	192,837
2026	160,000	28,037	188,037
2027	160,000	23,238	183,238
2028	160,000	18,437	178,437
2029	170,000	13,488	183,488
2030	170,000	8,281	178,281
2031	180,000	2,812	182,812
TOTALS	<u>\$ 2,185,000</u>	<u>\$ 473,768</u>	<u>\$ 2,658,768</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

JULY 31, 2017

Due During Fiscal Years Ending July 31,	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total
2018	\$ 530,000	\$ 472,495	\$ 1,002,495
2019	545,000	455,482	1,000,482
2020	570,000	436,919	1,006,919
2021	590,000	416,607	1,006,607
2022	635,000	394,119	1,029,119
2023	660,000	369,356	1,029,356
2024	690,000	343,518	1,033,518
2025	710,000	316,730	1,026,730
2026	745,000	289,112	1,034,112
2027	800,000	259,888	1,059,888
2028	860,000	228,287	1,088,287
2029	900,000	193,919	1,093,919
2030	935,000	157,037	1,092,037
2031	980,000	118,312	1,098,312
2032	725,000	83,094	808,094
2033	750,000	51,281	801,281
2034	775,000	17,437	792,437
TOTALS	\$ 12,400,000	\$ 4,603,593	\$ 17,003,593

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED JULY 31, 2017

	<u>(1)</u>	<u>(2)</u>
Bond Series:	2010	2012
Interest Rate:	3.50% to 4.00%	2.25% to 4.25%
Dates Interest Payable:	September 1/ March 1	September 1/ March 1
Maturity Dates:	September 1, 2017/2025	September 1, 2017/2030
Bonds Outstanding at Beginning of Current Year	\$ 4,190,000	\$ 3,440,000
Less Retirements	<u>(350,000)</u>	<u>(15,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 3,840,000</u>	<u>\$ 3,425,000</u>
Current Year Interest Paid:	<u>\$ 155,200</u>	<u>\$ 140,844</u>

Bond Descriptions and Original Amount of Issue

- (1) Rolling Creek Utility District Unlimited Tax Refunding Bonds, Series 2010 (\$5,350,000)
(2) Rolling Creek Utility District Unlimited Tax Refunding Bonds, Series 2012 (\$3,520,000)

Paying Agent/Registrar

- (1) Wells Fargo Bank Texas, N.A., Houston, Texas
(2) Wells Fargo Bank Texas, N.A., Dallas, Texas

ROLLING CREEK UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)
FOR THE YEAR ENDED JULY 31, 2017

	<u>(3)</u>	<u>(4)</u>	<u>Totals</u>
Bond Series:	2014	2015	
Interest Rate:	4.00% to 5.00%	2.00% to 3.125%	
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	
Maturity Dates:	September 1, 2017/2033	September 1, 2017/2030	
Bonds Outstanding at Beginning of Current Year	\$ 2,975,000	\$ 2,315,000	\$ 12,920,000
Less Retirements	<u>(25,000)</u>	<u>(130,000)</u>	<u>(520,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 2,950,000</u>	<u>\$ 2,185,000</u>	<u>\$ 12,400,000</u>
Current Year Interest Paid:	<u>\$ 130,500</u>	<u>\$ 61,687</u>	<u>\$ 488,231</u>

Bond Descriptions and Original Amount of Issue

- (3) Rolling Creek Utility District Unlimited Tax Bonds, Series 2014 (\$3,300,000)
(4) Rolling Creek Utility District Unlimited Tax Refunding Bonds, Series 2015 (\$2,335,000)

Paying Agent/Registrar

- (3) Wells Fargo Bank N.A., Minneapolis, Minnesota
(4) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Tax and Refunding Bonds</u>
Amount Authorized by Voters:	\$ 4,075,000	\$ 0	\$ 64,605,000
Amount Issued:	4,075,000		19,145,000
Remaining to be Issued:	0		45,460,000

Net Debt Service Fund deposits and investments balances as of July 31, 2017: \$2,634,763
Average annual debt service payment for remaining term of all debt: 1,000,211

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED JULY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
REVENUES										
Property taxes	\$ 587,991	\$ 526,442	\$ 452,726	\$ 359,140	\$ 330,916	30.1 %	29.6 %	27.8 %	23.4 %	23.7 %
Water service	364,165	344,850	324,219	317,580	289,376	18.6	19.3	20.0	20.7	20.8
Sewer service	461,508	426,329	417,130	386,795	341,911	23.6	23.9	25.6	25.3	24.5
Surface water fees	384,565	351,675	275,179	287,291	258,704	19.6	19.7	16.9	18.7	18.6
Penalty and other	48,412	49,487	56,452	47,811	53,052	2.5	2.8	3.5	3.1	3.8
Tap connection and inspection fees	99,755	76,545	83,930	134,115	117,900	5.1	4.3	5.2	8.7	8.5
Interest on deposits and investments and other	10,987	7,820	15,164	1,764	2,045	0.5	0.4	1.0	0.1	0.1
TOTAL REVENUES	1,957,383	1,783,148	1,624,800	1,534,496	1,393,904	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Service operations:										
Professional fees	180,857	131,884	135,351	163,424	89,520	9.2	7.4	8.3	10.7	6.4
Contracted services	76,923	85,788	84,077	72,413	103,662	3.9	4.8	5.2	4.7	7.4
Utilities	86,503	99,988	86,575	100,920	85,033	4.4	5.6	5.3	6.6	6.1
Surface water fees	376,044	338,272	282,752	286,019	265,205	19.2	19.0	17.4	18.6	19.0
Repairs, maintenance and other operating expenditures	543,618	496,532	461,754	507,769	382,832	27.9	27.7	28.4	33.0	27.5
Sewer plant lease expenditures	0	0	0	0	78,336	0.0	0.0	0.0	0.0	5.6
Security services	67,150	27,980	0	0	0	3.4	1.6	0.0	0.0	0.0
Garbage disposal	226,490	236,978	216,335	192,111	175,461	11.6	13.3	13.3	12.5	12.6
Administrative expenditures	76,863	61,680	56,879	59,437	60,044	3.9	3.5	3.5	3.9	4.3
Capital outlay	183,884	51,424	53,213	50,250	91,052	9.4	2.9	3.3	3.3	6.6
TOTAL EXPENDITURES	1,818,332	1,530,526	1,376,936	1,432,343	1,331,145	92.9	85.8	84.7	93.3	95.5
EXCESS REVENUES (EXPENDITURES)	\$ 139,051	\$ 252,622	\$ 247,864	\$ 102,153	\$ 62,759	7.1 %	14.2 %	15.3 %	6.7 %	4.5 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,201	1,109	1,048	992	885					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,171	1,079	1,023	967	861					

ROLLING CREEK UTILITY DISTRICT
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED JULY 31

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
REVENUES										
Property taxes	\$ 1,247,807	\$ 1,264,292	\$ 1,142,756	\$ 1,020,021	\$ 953,052	98.9 %	99.1 %	98.7 %	98.2 %	98.4 %
Penalty and interest	3,425	3,903	4,304	4,609	1,706	0.3	0.3	0.4	0.4	0.2
Accrued interest on bonds received at date of sale	0	0	2,817	4,305	0	0.0	0.0	0.2	0.4	0.0
Interest and fees	<u>10,595</u>	<u>8,017</u>	<u>7,751</u>	<u>9,990</u>	<u>13,319</u>	<u>0.8</u>	<u>0.6</u>	<u>0.7</u>	<u>1.0</u>	<u>1.4</u>
TOTAL REVENUES	<u>1,261,827</u>	<u>1,276,212</u>	<u>1,157,628</u>	<u>1,038,925</u>	<u>968,077</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Professional fees	9,633	9,844	9,426	6,697	5,704	0.8	0.8	0.8	0.6	0.6
Contracted services	31,586	30,018	27,108	25,116	25,045	2.5	2.4	2.3	2.4	2.6
Other expenditures	7,647	8,311	4,220	4,872	5,288	0.6	0.7	0.4	0.5	0.5
Debt service:										
Principal retirement	520,000	400,000	620,000	470,000	480,000	41.2	31.3	53.5	45.2	49.6
Interest and fees	<u>490,781</u>	<u>509,251</u>	<u>532,070</u>	<u>456,874</u>	<u>446,570</u>	<u>38.9</u>	<u>39.8</u>	<u>46.0</u>	<u>44.0</u>	<u>46.1</u>
TOTAL EXPENDITURES	<u>1,059,647</u>	<u>957,424</u>	<u>1,192,824</u>	<u>963,559</u>	<u>962,607</u>	<u>84.0</u>	<u>75.0</u>	<u>103.0</u>	<u>92.7</u>	<u>99.4</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 202,180</u>	<u>\$ 318,788</u>	<u>\$ (35,196)</u>	<u>\$ 75,366</u>	<u>\$ 5,470</u>	<u>16.0 %</u>	<u>25.0 %</u>	<u>(3.0) %</u>	<u>7.3 %</u>	<u>0.6 %</u>

ROLLING CREEK UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSJULY 31, 2017

Complete District Mailing Address: Rolling Creek Utility District
c/o Coats Rose, P.C.
9 Greenway Plaza, Suite 1100
Houston, Texas 77046

District Business Telephone No.: 713-651-0111

Submission date of the most recent District Registration Form: June 7, 2017

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Brian A. Gardner 19819 Big Canyon Drive Katy, Texas 77450	Elected 5/06/17- 5/01/21	\$ 3,900	\$ 418	President
Adrian M. Shapiro P.O. Box 35353 Houston, Texas 77235-5353	Elected 5/09/15- 5/04/19	2,550	1,116	Vice President/ Inv. Officer
Gary Brown 178 Lattice Gate St. The Woodlands, Texas 77382	Elected 5/09/15- 5/04/19	1,950	624	Secretary/ Treasurer
Kenneth B. Levenson 7510 Janak Drive Houston, Texas 77055	Elected 5/06/17- 5/01/21	1,650	64	Assistant Secretary
Clay Deaton 18215 Langsbury Drive Houston, Texas 77084	Elected 5/06/17- 5/01/21	1,950	224	Asst. Sec/ Assistant Vice Pres.

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

JULY 31, 2017

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Coats Rose, P.C. 9 Greenway Plaza, Suite 1100 Houston, Texas 77046	1/25/84	\$ 110,297	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, Texas 77008	10/06/99	3,338	Delinquent Tax Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	1/25/84	19,833	Bookkeeper
Severn Trent - North America 2002 Grand Parkway North, Suite 100 Katy, Texas 77449	6/01/12	574,884	Operator
LJA Engineering & Surveying, Inc. 2929 Briarpark Drive, Suite 500 Houston, Texas 77042	11/01/00	133,244	Engineer
Bob Leared 11111 Katy Freeway, Suite 725 Houston, Texas 77043	7/27/84	20,170	Tax Assessor-Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	13,858	Central Appraisal District
Rathmann and Associates, L.P. 8584 Katy Freeway, Suite 250 Houston, Texas 77024	5/07/03	0	Financial Advisor
Roth & Eyring, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 1992	10,600	Independent Auditor

See accompanying independent auditor's report.