PALOMA LAKE
MUNICIPAL UTILITY DISTRICT NO. 1

YEAR ENDED SEPTEMBER 30, 2017

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT

PALOMA LAKE
MUNICIPAL UTILITY DISTRICT NO. 1

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2017

PALOMA LAKE
MUNICIPAL UTILITY DISTRICT NO. 1

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ANNUAL FILING AFFIDAVIT

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STATE OF TEXAS
COUNTY OF TRAVIS

I, Dallas Kelley-Kerr, President of the
(Name of Duly Authorized District Representative)

PALOMA LAKE MUNICIPAL UTILITY DISTRICT NO. 1
(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the **10th day of January, 2018** its annual audit report for the fiscal period ended **September 30, 2017** and that copies of the annual audit report have been filed in the District's office, located at:

100 Congress Ave., Suite 1300 Austin, TX 78701.
(Address of District's Office)

This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

Date: 1/10, 2018 By: [signature]
(Signature of District Representative)

Dallas Kelley-Kerr
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 10th day of January, 2018.

(SEAL) [signature]
(Signature of Notary)

My Commission Expires On: ______________, ______
Notary Public in the State of Texas

NOTARY PUBLIC
ID# 543332-8
State of Texas
Comm. Exp. 05-21-2018

Form TCEQ-0723 (Revised 10/2003)

INDEPENDENT AUDITOR'S REPORT

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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Houston, Texas 77065-5610
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Board of Directors
Paloma Lake Municipal
Utility District No. 1
Williamson County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Paloma Lake Municipal Utility District No. 1 (the "District"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Paloma Lake Municipal
Utility District No. 1

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Budgetary Comparison Schedule – 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 Texas Supplementary Information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* and the Other Supplementary Information are presented for purposes of additional analysis and are 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 Texas Supplementary Information and the Other Supplementary Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Austin, Texas

January 10, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

PALOMA LAKE MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

In accordance with Governmental Accounting Standards Board Statement 34 ("GASB 34"), the management of Paloma Lake Municipal Utility District No. 1 (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended September 30, 2017. Since this information is designed to focus on current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the District's financial statements that follow.

FINANCIAL HIGHLIGHTS

- *General Fund*: At the end of the current fiscal year, the nonspendable and unassigned fund balance was $3,660,149. Current year net revenues were $888,946. General fund revenues increased from $1,821,028 in the previous fiscal year to $2,219,715 in the current fiscal year due primarily to an increase in tax revenue generated from an increase in the District's assessed valuation and an increase in water and wastewater service revenue.
- *Debt Service Fund*: Fund balance restricted for debt service increased from $504,966 in the previous fiscal year to $727,973 in the current fiscal year. The Debt Service Fund remitted $275,000 of bond principal and $714,472 in bond interest during the current fiscal year. The District also issued $2,125,000 of Series 2017 Unlimited Tax Refunding Bonds to refund $2,085,000 of Series 2012 Unlimited Tax Bonds.
- *Capital Projects Fund*: Fund balance restricted for capital projects increased from $419,907 in the previous fiscal year to $456,526 in the current fiscal year. During the current fiscal year, the District issued $5,280,000 of unlimited tax bonds to purchase $4,828,749 of infrastructure and paid $436,630 in bond issuance related costs.
- *Governmental Activities*: On a government-wide basis for governmental activities, the District had revenues net of expenses of $460,516. Net position increased from $354,371 to $814,887.

OVERVIEW OF THE DISTRICT

The District, a political subdivision of the State of Texas, was created by order of the Texas Commission on Environmental Quality effective August 10, 2006, and confirmed pursuant to an election held within the District on May 12, 2007. The District was created for the purpose of providing, operating, and maintaining facilities to control storm water, distribute potable water, collect and treat wastewater and providing and operating park and recreational facilities and operates pursuant to Chapter 49 and 54 of the Texas Water Code and Article XVI, Section 59 of the Texas Constitution, both as amended.

The District encompasses approximately 379 acres of land and is located in northeast Williamson County and lies approximately six miles northeast of downtown Round Rock, TX, five miles southeast of the City of Georgetown, TX, five miles east of the Interstate Highway 35 corridor and less than two miles north of US Highway 79. The District is contained entirely within the extraterritorial jurisdiction of Round Rock.

PALOMA LAKE MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

USING THIS ANNUAL REPORT

This annual report consists of five parts:

1. *Management's Discussion and Analysis* (this section)
2. *Financial Statements*
3. *Notes to the Financial Statements*
4. *Required Supplementary Information*
5. *Texas Supplementary Information* (required by the Texas Commission on Environmental Quality (the TSI section))
6. *Other Supplementary Information* (the OSI section)

For purposes of GASB 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "Governmental Funds Total" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The *Statement of Net Position and Governmental Funds Balance Sheet* includes a column (titled "Governmental Funds Total") that represents a balance sheet prepared using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily converted to cash. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net position will indicate financial health.

The *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances* includes a column (titled "Governmental Funds Total") that derives the change in fund balances resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances.*

The *Required Supplementary Information* presents a comparison statement between the District's adopted budget and its actual results.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

Summary Statement of Net Position

	Governmental Activities 2017	Governmental Activities 2016	Change Increase (Decrease)
Current and other assets	$ 5,220,788	$ 4,058,541	$ 1,162,247
Capital and non-current assets	17,720,481	13,213,751	4,506,730
Total Assets	22,941,269	17,272,292	5,668,977
Deferred outflows of resources	201,757	199,403	2,354
Current Liabilities	818,644	705,025	113,619
Long-term Liabilities	21,509,495	16,412,299	5,097,196
Total Liabilities	22,328,139	17,117,324	5,210,815
Net Investment in Capital Assets	(3,523,348)	(2,876,738)	(646,610)
Restricted	675,782	458,752	217,030
Unrestricted	3,662,453	2,772,357	890,096
Total Net Position	$ 814,887	$ 354,371	$ 460,516

The District's combined net position increased by $460,516 to $814,887 from the previous year balance of $354,371. Some of the District's assets are restricted for particular purposes, such as debt service or capital projects. The District's unrestricted net assets, which can be used to finance day to day operations, totaled $3,662,453.

Revenues and Expenses:

Summary Statement of Activities

	Governmental Activities 2017	Governmental Activities 2016	Change Increase (Decrease)
Property taxes	$ 2,071,534	$ 1,500,246	$ 571,288
Service account revenues	1,175,907	918,515	257,392
Tap fees and inspections	143,100	200,975	(57,875)
Other	50,188	38,997	11,191
Total Revenues	3,440,729	2,658,733	781,996
Water, wastewater and garbage	831,403	612,982	218,421
Management services	108,475	94,003	14,472
Repairs and maintenance	86,540	80,809	5,731
Professional fees	120,583	115,378	5,205
Other	127,586	112,872	14,714
Debt service	1,246,756	1,083,311	163,445
Depreciation/Amortization	458,870	337,986	120,884
Total Expenses	2,980,213	2,437,341	542,872
Change in Net Position	460,516	221,392	239,124
Beginning Net Position	354,371	132,979	221,392
Ending Net Position	$ 814,887	$ 354,371	$ 460,516

Revenues were $3,440,729 for the fiscal year ended September 30, 2017 while expenses were $2,980,213. Net position increased $460,516.

Property tax revenues in the current fiscal year totaled $2,071,534. Property tax revenue is derived from taxes being levied based upon the assessed value of real and personal property within the District. Property taxes levied for the 2016 tax year (September 30, 2017 fiscal year) were based upon a current assessed value of $219,480,093 and a tax rate of $.9435 per $100 of assessed valuation. Property taxes levied for the 2015 tax year (September 30, 2016 fiscal year) were based upon an adjusted assessed value of $157,798,548 and a tax rate of $0.95 per $100 assessed valuation. The tax rate levied is determined after the District reviews the General Fund budget requirements and the Debt Service Fund debt service obligations of the District. The District's primary revenue sources are property taxes, service account revenues and system connection fees.

ANALYSIS OF GOVERNMENTAL FUNDS

Governmental Funds by Year

	2017	2016	2015
Cash on deposit	$ 543,140	$ 554,752	$ 320,623
Cash equivalent investments	4,459,228	3,360,665	2,190,569
Receivables	189,994	151,269	184,217
Total Assets	$ 5,192,362	$ 4,066,686	$ 2,695,409
Accounts payable	239,815	269,291	202,443
Other	102,450	98,645	102,850
Total Liabilities	342,265	367,936	305,293
Deferred inflows of resources	5,449	2,674	35,907
Nonspendable	1,184	-	-
Restricted	1,184,499	924,873	401,384
Unassigned	3,658,965	2,771,203	1,952,825
Total Fund Balance	4,844,648	3,696,076	2,354,209
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 5,192,362	$ 4,066,686	$ 2,695,409

For the fiscal year ended September 30, 2017, the District's governmental funds reflect a combined fund balance of $4,844,648.

This fund balance includes an $888,946 increase in General Fund net revenues.

The Debt Service Fund reflects an increase of $223,007. The Debt Service Fund remitted principal payments of $275,000 and interest payments of $714,472. The District issued $2,125,000 of Series 2017 Unlimited Tax Refunding Bonds during the current fiscal year. More detailed information about the District's debt is presented in the *Notes to the Financial Statements*.

The Capital Project Fund purchases the District's infrastructure. The Capital Projects Fund had a $36,619 increase in fund balance for fiscal year 2017. During the current fiscal year, the District issued $5,280,000 of unlimited tax bonds to purchase $4,828,749 of infrastructure and paid $436,630 in bond issuance related costs.

BUDGETARY HIGHLIGHTS

The *General Fund* pays for daily operating costs. On September 14, 2016, the Board of Directors approved a budget including revenues of $1,815,178 as compared to expenditures of $1,173,707. When comparing actual to budget, the District had a positive variance of $247,475. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

CAPITAL ASSETS

The District's governmental activities had $17,720,481 invested in infrastructure. The detail is reflected in the following schedule:

Summary of Capital Assets, net

	9/30/2017	9/30/2016
Capital Assets:		
Land	$ 31,698	$ 31,698
Construction in progress	64,357	-
Creation costs	188,793	188,793
Water/Wastewater/Drainage	18,689,527	13,860,778
Less: Accumulated Depreciation	(1,253,894)	(867,518)
Total Net Capital Assets	$ 17,720,481	$ 13,213,751

More detailed information about the District's capital assets is presented in the *Notes to the Financial Statements*

LONG-TERM DEBT

The District has the following balances outstanding on unlimited tax bonds:

	Bonds Payable
Series 2013	$ 1,575,000
Series 2013A	2,195,000
Series 2014	2,920,000
Series 2015	7,900,000
Series 2016	5,280,000
Series 2017	2,125,000
Total	$ 21,995,000

The District owes approximately $22 million to bond holders. The ratio of the District's long-term debt to the total 2016 taxable assessed valuation ($219,480,093) is 10.0%. The District's population as provided by the District, as of July 20, 2017, is 2,894. More detailed information about the District's long-term debt is presented in the *Notes to the Financial Statements.*

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The amount of assessed value of property within the District for the 2017 tax year (September 30, 2018 fiscal year) is approximately $267 million and the tax rate levied was $0.90 per $100 of assessed valuation. Approximately 39% of the property tax will fund general fund costs and approximately 61% of the property tax revenue will be used to make debt service payments on the District's bond debt.

The adopted budget for fiscal year 2018 projects a general fund balance increase of $697,426.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas 78701.

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FINANCIAL STATEMENTS

PALOMA LAKE MUNICIPAL UTILITY DISTRICT NO. 1
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Net Position
ASSETS						
Cash and cash equivalents						
Cash on deposit	$ 543,140	$ -	$ -	$ 543,140	$ -	$ 543,140
Cash equivalent investments	2,519,177	721,879	456,526	3,697,582	-	3,697,582
Investments	761,646	-	-	761,646	-	761,646
Receivables-						
Service, net of allowance of doubtful accounts of $-0-	168,836	-	-	168,836	-	168,836
Taxes	2,304	3,145	-	5,449	-	5,449
Interfund receivable	292	6,165	-	6,457	(6,457)	-
Intergovernmental	5,295	-	-	5,295	-	5,295
Interest	2,134	-	-	2,134	-	2,134
Other	347	-	-	347	-	347
Prepaid costs	1,184	-	292	1,476	34,883	36,359
Capital assets, net of accumulated depreciation -						
Land	-	-	-	-	31,698	31,698
Construction in progress	-	-	-	-	64,357	64,357
Water/Wastewater/Drainage System	-	-	-	-	17,624,426	17,624,426
TOTAL ASSETS	4,004,355	731,189	456,818	5,192,362	17,748,907	22,941,269
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charges on refunding	-	-	-	-	201,757	201,757
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 4,004,355	$ 731,189	$ 456,818	$ 5,192,362	$ 17,950,664	$ 23,143,026
LIABILITIES						
Accounts payable	$ 153,999	$ 71	$ -	$ 154,070	-	154,070
Accrued interest payable	-	-	-	-	55,336	55,336
Capital recovery fees payable	79,288	-	-	79,288	-	79,288
Due to developer	-	-	-	-	22,500	22,500
Refundable deposits	102,450	-	-	102,450	-	102,450
Interfund payable	6,165	-	292	6,457	(6,457)	-
Bonds payable -						
Due within one year	-	-	-	-	405,000	405,000
Due after one year	-	-	-	-	21,509,495	21,509,495
TOTAL LIABILITIES	341,902	71	292	342,265	21,985,874	22,328,139
DEFERRED INFLOWS OF RESOURCES						
Property taxes	2,304	3,145	-	5,449	(5,449)	-
TOTAL DEFERRED INFLOWS OF RESOURCES	2,304	3,145	-	5,449	(5,449)	-
FUND BALANCES / NET POSITION						
Fund balances:						
Nonspendable	1,184	-	-	1,184	(1,184)	-
Restricted for debt service	-	727,973	-	727,973	(727,973)	-
Restricted for capital projects	-	-	456,526	456,526	(456,526)	-
Unassigned	3,658,965	-	-	3,658,965	(3,658,965)	-
TOTAL FUND BALANCES	3,660,149	727,973	456,526	4,844,648	(4,844,648)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 4,004,355	$ 731,189	$ 456,818	$ 5,192,362		
NET POSITION:						
Net investment in capital assets					(3,523,348)	(3,523,348)
Restricted for debt service					675,782	675,782
Unrestricted					3,662,453	3,662,453
TOTAL NET POSITION					$ 814,887	$ 814,887

The accompanying notes are an integral part of this statement.

PALOMA LAKE MUNICIPAL UTILITY DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SEPTEMBER 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Activities
REVENUES:						
Water and wastewater service, including penalties	$ 1,175,907	$ -	$ -	$ 1,175,907	$ -	$ 1,175,907
Property taxes, including penalties	862,811	1,205,948	-	2,068,759	2,775	2,071,534
Tap fees and inspections	143,100	-	-	143,100	-	143,100
Interest and other	37,897	9,147	3,144	50,188	-	50,188
TOTAL REVENUES	2,219,715	1,215,095	3,144	3,437,954	2,775	3,440,729
EXPENDITURES / EXPENSES:						
Current:						
Water and wastewater purchases	664,709	-	-	664,709	-	664,709
Disposal service	166,694	-	-	166,694	-	166,694
Repairs and maintenance	86,540	-	-	86,540	-	86,540
Meter sets/inspection fees	52,580	-	-	52,580	-	52,580
Security lights	24,492	-	-	24,492	-	24,492
Director fees, including payroll taxes	6,899	-	-	6,899	-	6,899
Legal fees	60,187	-	-	60,187	-	60,187
Engineering fees	20,153	-	-	20,153	-	20,153
Management fees	108,475	-	-	108,475	-	108,475
Bookkeeping fees	24,750	-	-	24,750	-	24,750
Audit fees	11,250	-	-	11,250	-	11,250
Other consulting fees	4,243	-	-	4,243	-	4,243
Security services	18,468	-	-	18,468	-	18,468
Insurance	7,269	-	-	7,269	-	7,269
Tax appraisal/collection fees	5,849	8,175	-	14,024	-	14,024
Other	3,854	-	-	3,854	-	3,854
Debt service:						
Principal	-	275,000	-	275,000	(275,000)	-
Interest	-	714,472	-	714,472	7,602	722,074
Fiscal agent fees	-	2,400	-	2,400	-	2,400
Bond issuance expenditures	-	122,052	436,630	558,682	(36,400)	522,282
Capital outlay	64,357	-	4,828,749	4,893,106	(4,893,106)	-
Depreciation	-	-	-	-	386,376	386,376
Amortization	-	-	-	-	72,494	72,494
TOTAL EXPENDITURES / EXPENSES	1,330,769	1,122,099	5,265,379	7,718,247	(4,738,034)	2,980,213
Excess / (Deficiency) of revenues over expenditures/expenses	888,946	92,996	(5,262,235)	(4,280,293)	4,740,809	460,516
OTHER FINANCING SOURCES						
Bond proceeds	-	-	5,280,000	5,280,000	(5,280,000)	-
Bond discount	-	-	(19,323)	(19,323)	19,323	-
Proceeds from bond refunding	-	2,125,000	-	2,125,000	(2,125,000)	-
Payment to escrow agent	-	(2,098,701)	-	(2,098,701)	2,098,701	-
Bond premium	-	103,712	38,177	141,889	(141,889)	-
TOTAL OTHER FINANCING SOURCES	-	130,011	5,298,854	5,428,865	(5,428,865)	-
NET CHANGE IN FUND BALANCES	888,946	223,007	36,619	1,148,572	(1,148,572)	-
CHANGE IN NET POSITION					460,516	460,516
FUND BALANCES / NET POSITION:						
Beginning of the year	2,771,203	504,966	419,907	3,696,076	(3,341,705)	354,371
End of the year	$ 3,660,149	$ 727,973	$ 456,526	$ 4,844,648	$ (4,029,761)	$ 814,887

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the District relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles (GAAP) as applied to governmental entities. Generally accepted accounting principles for local governments include those principles prescribed by the *Governmental Accounting Standards Board* (GASB), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity - The District was created, organized and established on August 10, 2006, by the Texas Commission on Environmental Quality (formerly the Texas Natural Resource Conservation Commission) pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code. The reporting entity of the District encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. A five member Board of Directors which has been elected by District residents or appointed by the Board of Directors governs the District. The District is not included in any other governmental "reporting entity" as defined by GASB standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined by GASB standards which are included in the District's reporting entity.

Basis of Presentation - Government-wide and Fund Financial Statements – These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting.

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

- 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

The basic financial statements are prepared in conformity with GASB Statement No. 34, and include a column for government-wide (based upon the District as a whole) and fund financial statement presentations. Statement No. 34 also requires as supplementary information Management's Discussion and Analysis, which includes an analytical overview of the District's financial activities. In addition a budgetary comparison statement is presented that compares the adopted General Fund budget with actual results.

- **Government-wide Statements:** The District's statement of net position includes both non-current assets and non-current liabilities of the District, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group. In addition, the government-wide statement of activities column reflects depreciation expense on the District's capital assets, including infrastructure.

  The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from financial activities of the fiscal period. The focus of the fund financial statements is on the individual funds of the governmental categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

- **Fund Financial Statements:** Fund based financial statement columns are provided for governmental funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures of either fund category) for the determination of major funds. All of the District's funds are reported as major funds.

Governmental Fund Types - The accounts of the District are organized and operated on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The various funds are grouped by category and type in the financial statements. The District maintains the following fund types:

- **General Fund** - The General Fund accounts for financial resources in use for general types of operations which are not encompassed within other funds. This fund is established to account for resources devoted to financing the general services that the District provides for its residents. Tax revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund.

- **Debt Service Fund** – The Debt Service Fund is used to account for the resources restricted, committed or assigned for the payment of debt principal, interest and related costs.

- **Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Non-current Governmental Assets and Liabilities - GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the government-wide financial statement column in the Statement of Net Position.

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Basis of Accounting

Government-wide Statements - The government-wide financial statement column is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Fund Financial Statements - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the net current assets. Governmental funds are accounted for on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e. both measurable and available).

"Measurable" means that the amount of the transaction can be determined and "available" means the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures, if measurable, are generally recognized on the accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include the unmatured principal and interest on general obligation long-term debt which is recognized when due. This exception is in conformity with generally accepted accounting principles.

Property tax revenues are recognized when they become available. In this case, available means when due, or past due and receivable within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Tax collections expected to be received subsequent to the 60-day availability period are reported as deferred revenue. All other revenues of the District are recorded on the accrual basis in all funds.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Budgets and Budgetary Accounting **–** A budget was adopted on September 14, 2016, for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board of Directors utilizes the budget as a management tool for planning and cost control purposes. All annual appropriations lapse at fiscal year end.

Pensions **-** The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that Directors are considered to be "employees" for federal payroll tax purposes only.

Cash and Cash Equivalents **–** Includes cash on deposit as well as investments with maturities of three months or less. The investments, consisting of common trust funds, money market funds, and obligations in the State Treasurer's Investment Pool, are recorded at amortized cost.

Capital Assets **–** Capital assets, which include Administrative Facilities and Equipment, Common and Recreation Areas, Water Production/Distribution System, Wastewater Collection System, Water Quality Ponds and Organizational Costs are reported in the government-wide column in the Statement of Net Position. Public domain ("infrastructure") capital assets including water, wastewater and drainage systems, are capitalized. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at estimated acquisition value at the time received. Interest incurred during construction of capital facilities is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Common and Recreation Areas	5 - 30
Water Production/Distribution System	10 - 50
Wastewater Collection System	5 - 50
Organizational Costs	5

Interfund Transactions **-** Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay that amount and if the debtor fund has the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Long-Term Debt **-** Unlimited tax bonds, which have been issued to fund capital projects, are to be repaid from tax revenues of the District.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Long-Term Debt (continued) -

In the fund financial statements, governmental fund types 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 and discounts on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Balance – 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 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 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.

Fair Value Measurements - The District complies with GASB Statement No. 72, *Fair Value Measurement and Application,* which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

- Level 3 are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities

- Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)

- Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended September 30, 2021.

PALOMA LAKE MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS -

Adjustments to convert the Governmental Funds Balance Sheet to the Statement of Net Position are as follows :

Fund balances - total governmental funds		$ 4,844,648
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds -		
Capital assets	18,785,582	
Less: Accumulated depreciation	(1,065,101)	17,720,481
Prepaid costs		34,883
Deferred Outflows of resources		201,757
Revenue is recognized when earned in the government-wide statements, regardless of availability. Governmental funds report deferred revenue for revenues earned but not available		5,449
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds -		
Bonds payable	(21,995,000)	
Issuance discount/premium, net	80,505	
Advances from developer	(22,500)	
Accrued interest	(55,336)	(21,992,331)
Net position of governmental activities		$ 814,887

Adjustments to convert the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities are as follows:

Changes in Fund Balances - Governmental Funds		$ 1,148,572
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report -		
Capital expenditures in period purchased	4,893,106	
Bond principal when paid	275,000	
Interest expenditures in year paid	(7,602)	
Tax revenue when collected	2,775	
Prepaid bond insurance	36,400	
Bond sales and refunding bond activity as other financing source/(use)	(5,428,865)	(229,186)
Governmental funds do not report -		
Depreciation	(386,376)	
Amortization	(72,494)	(458,870)
Change in net position of governmental activities		$ 460,516

3. CASH AND INVESTMENTS

The investment policies of the District are governed by State statute and an adopted District Investment Policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District's investment policy include: depositories must be FDIC-insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; and securities collateralizing time deposits are held by independent third party trustees.

Cash - At September 30, 2017, the carrying amount of the District's deposits was $543,140 and the bank balance was $543,885. The bank balance was covered by federal depository insurance and other pledged collateral.

Investments –

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values through investment diversification and limiting investments as follows:

- Money market mutual funds are required to have weighted average maturities of 90 days or fewer; and
- Other mutual fund investments are required to have weighted average maturities of less than two years.

Credit risk. The District's investment policy requires the application of the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, and considering the probable safety of their capital as well as the probable income to be derived. The District's investment policy requires that District funds be invested in:

- Obligations of the United States Government and/or its agencies and instrumentalities;
- Money market mutual funds with investment objectives of maintaining a stable net asset value of $1 per share;
- Mutual funds rated in one of the three highest categories by a nationally recognized rating agency; and
- Securities issued by a State or local government or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency; and
- Public funds investment pools rated AAA or AAA-m by a nationally recognized rating agency.

3. CASH AND INVESTMENTS (continued) –

Investments (continued) –

At September 30, 2017, the District held the following investments:

		Governmental Fund				
		General	Debt Service	Capital Projects	Investment Rating	
Investment	Fair Value at 9/30/2017	Unrestricted	Restricted (1)	Restricted (2)	Rating	Rating Agency
Texpool	$ 3,458,858	$ 2,519,177	$ 483,155	$ 456,526	AAAm	Standard & Poors
Money Market	539,730	301,006	238,724	-	N/A	N/A
U.S. Government Agency	460,640	460,640	-	-	(3)	(3)
	$ 4,459,228	$ 3,280,823	$ 721,879	$ 456,526		

(1) Restricted for Payment of Debt Service and Cost of Assessing and Collecting Taxes.
(2) Restricted for Purchase of Capital Assets.
(3) Rated Aa2, A3, A2, and Aa3 by Moody's

The District invests in Texpool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. These investments are recorded at amortized cost. The District's other investments are recorded at cost which approximates fair value.

Concentration of credit risk. In accordance with the District's investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of September 30, 2017, the District did not own any investments in individual securities.

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The government's investment policy requires that the District's deposits be fully insured by FDIC insurance or collateralized with Obligations of the United States or its agencies and instrumentalities. As of September 30, 2017, the District's bank deposits were fully insured.

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Williamson Central Appraisal District establishes appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Williamson County Tax Collector bills and collects the District's property taxes. The Board of Directors set current tax rates on September 14, 2016. The property tax rates, established in accordance with state law, were based on 100% of the net assessed valuation of real property within the District on the 2016 tax roll. The tax rate, based on total taxable assessed valuation of $219,480,093 was $0.9435 on each $100 valuation and was allocated $0.3935 to the General Fund and $0.55 to the Debt Service Fund. The maximum allowable maintenance tax of $1.00 was established by the voters at an election held on May 12, 2007.

4. PROPERTY TAXES (continued)

Property taxes receivable at September 30, 2017 consisted of the following:

	General Fund	Debt Service Fund	Total
Current year levy	$ 1,377	$ 1,924	$ 3,301
Prior years' levies	927	1,221	2,148
	$ 2,304	$ 3,145	$ 5,449

5. INTERFUND ACCOUNTS

A summary of interfund accounts, which resulted from the time lag between dates that payments are made between funds, is as follows at September 30, 2017:

	Interfund Receivable	Interfund Payable
General Fund -		
Debt Service Fund	$ -	$ 6,165
Capital Projects Fund	292	-
Debt Service Fund -		
General Fund	6,165	
Capital Projects Fund -		
General Fund	-	292
	$ 6,457	$ 6,457

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance 10/1/2016	Additions	Deletions	Balance 9/30/2017
Capital assets not being depreciated:				
Land	$ 31,698	$ -	$ -	$ 31,698
Construction in progress	-	64,357	-	64,357
Total capital assets not being depreciated	31,698	64,357	-	96,055
Capital assets being depreciated:				
Creation costs	188,793	-	-	188,793
Water/Wastewater and Drainage	13,860,778	4,828,749	-	18,689,527
Total capital assets being depreciated	14,049,571	4,828,749	-	18,878,320
Less accumulated depreciation for :				
Creation costs	(176,207)	(12,586)	-	(188,793)
Water/Wastewater and Drainage	(691,311)	(373,790)	-	(1,065,101)
Total accumulated depreciation	(867,518)	(386,376)	-	(1,253,894)
Total capital assets being depreciated, net of accumulated depreciation	13,182,053	4,442,373	-	17,624,426
Total capital assets, net	$ 13,213,751	$ 4,506,730	$ -	$ 17,720,481

7. BONDED DEBT

The following is a summary of bond transactions for the District for the year ended September 30, 2017:

	Unlimited Tax and Revenue Bonds
Bonds payable at October 1, 2016	$ 16,950,000
Bonds issued	7,405,000
Bonds refunded	(2,085,000)
Bonds retired	(275,000)
Bond premium/discount, net	(80,505)
Bonds payable at September 30, 2017	$ 21,914,495

Bonds payable at September 30, 2017, were comprised of the following individual issues:

Unlimited Tax Bonds:

$1,575,000 – 2013 Unlimited Tax Bonds payable serially through the year 2038 at interest rates which range from 2.0% to 4.0%. Bonds maturing on or after September 1, 2020 are callable prior to maturity beginning September 1, 2019, or any date thereafter. Bonds maturing September 1, 2030, 2032 and 2038 are term bonds and are subject to mandatory sinking fund redemption.

$2,920,000 – 2014 Unlimited Tax Bonds payable serially through the year 2039 at interest rates which range from 2.0% to 3.875%. Bonds maturing on or after September 1, 2022 are callable prior to maturity beginning September 1, 2021, or any date thereafter. Bonds maturing September 1, 2026, 2028, 2030, 2032, 2034, 2036 and 2039 are term bonds and are subject to mandatory sinking fund redemption.

$7,900,000 – 2015 Unlimited Tax Bonds payable serially through the year 2040 at interest rates which range from 2.0% to 4.0%. Bonds maturing on or after September 1, 2023 are callable prior to maturity beginning September 1, 2022, or any date thereafter. Bonds maturing September 1, 2040 are term bonds and are subject to mandatory sinking fund redemption.

$5,280,000 – 2016 Unlimited Tax Bonds payable serially through the year 2041 at interest rates which range from 2.0% to 3.0%. Bonds maturing on or after September 1, 2024 are callable prior to maturity beginning September 1, 2023, or any date thereafter. Bonds maturing September 1, 2031, 2033 and 2035 are term bonds and are subject to mandatory sinking fund redemption.

Unlimited Tax Refunding Bonds:

$2,195,000 – 2013A Unlimited Tax Refunding Bonds payable serially through the year 2036 at interest rates which range from 2.0% to 4.0%. Bonds maturing on or after September 1, 2020 are callable prior to maturity beginning September 1, 2019, or any date thereafter. Bonds maturing September 1, 2028, 2030, 2032 and 2036 are term bonds and are subject to mandatory sinking fund redemption.

7. BONDED DEBT (continued) –

$2,125,000 – 2017 Unlimited Tax Refunding Bonds payable serially through the year 2037 at interest rates which range from 2.0% to 4.0%. Bonds maturing on or after September 1, 2029 are callable prior to maturity beginning September 1, 2027, or any date thereafter. Bonds maturing September 1, 2029, 2031, 2033, 2035 and 2037 are term bonds and are subject to mandatory sinking fund redemption.

The annual requirements to amortize all bonded debt at September 30, 2017, including interest, are as follows:

	Annual Requirements for All Series		
Year Ended September 30,	Principal	Interest	Total
2018	$ 405,000	$ 694,590	$ 1,099,590
2019	695,000	689,596	1,384,596
2020	720,000	674,271	1,394,271
2021	740,000	657,971	1,397,971
2022	760,000	640,721	1,400,721
2023-2027	4,195,000	2,866,477	7,061,477
2028-2032	5,000,000	2,192,032	7,192,032
2033-2037	6,050,000	1,291,690	7,341,690
2038-2041	3,430,000	255,744	3,685,744
	$ 21,995,000	$ 9,963,092	$ 31,958,092

Bonds authorized but not issued as of September 30, 2017, are as follows:

Type	Amount
Unlimited Tax Bonds	$ 17,450,000
Refunding Bonds	$ 59,635,000
Park and Recreational Facilities	$ 7,440,000

$727,973 is available in the Debt Service Fund to service the bonded debt.

The existing outstanding bonds of the District 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.

On September 21, 2017, the District issued $2,125,000 of Unlimited Tax Refunding Bonds, Series 2017, to advance refund $2,085,000 of its previously issued Series 2012 bonds in order to lower its overall debt service requirements. The net proceeds of $2,098,701 (after payment of $166,194 in underwriting fees, insurance, and other issuance costs) were deposited with an escrow agent to provide the debt service payment on the portion of bonds advance refunded. As a result, $2,085,000 of bond principal is considered defeased and the liability for these bonds was removed from the financial statements. The reacquisition price exceeded the amount of the old debt by $13,701, which will be amortized over the remaining life of the refunded debt which is equal to the life of the new debt. The advance refunding obtained gross debt savings of $290,291 and net present value savings of $207,671.

8. IMPACT FEES

Impact fees as assessed by the City of Round Rock (the "City") are collected on tap connections for each new residential water and wastewater connection as required under the District's consent agreement with the City. Collected fees are submitted to the City of Round Rock by the 15th day of the month following collection. The District collected $645,904 in impact fees during the year and remitted $566,616 as of September 30, 2017. Of the remaining balance, $54,792 was remitted to the City on October 11, 2017 and $24,496 on November 8, 2017.

9. COMMITMENTS AND CONTINGENCIES

The District has entered into various agreements in the ordinary conduct of business including reimbursement agreements to purchase existing utility facilities. As approved by the Texas Commission on Environmental Quality and the Board of Directors, the District will sell bonds to the general public for the purpose of reimbursing qualified construction costs.

The developers of the land within the District has incurred costs for construction of facilities, as well as costs pertaining to the creation and operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. Such costs may be reimbursable to the developers by the District from proceeds of future District bond issues, subject to approval by the Texas Commission on Environmental Quality, or from operating revenue. Voters within the District have approved the issuance of $39,990,000 of bonds to fund cost of proposed works, improvements, facilities, plants, equipment, appliances and non-construction costs based upon the District Engineer's reports. As of September 30, 2017, the District has issued $22,540,000 of unlimited tax bonds to reimburse the developers for eligible costs.

10. DEFICIT NET POSITION

Net investment in capital assets had a deficit balance of $3,558,231 at September 30, 2017. This is primarily attributable to capitalized interest, bond issuance costs which have been expensed, bond proceeds transferred to the General Fund and depreciation/amortization expense associated with the District's bond issues.

11. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from commercial insurance companies and the Texas Municipal League Intergovernmental Risk Pool (TML Pool) to effectively manage its risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

11. RISK MANAGEMENT (continued)

The TML Pool was established by various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool Board. Rates are estimated to include all claims expected to occur during the policy including claims incurred but not reported. The TML Pool has established Claims Reserves for each of the types of insurance offered. Although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contribution rate for subsequent years. Members may receive returns of contributions if actual results are more favorable than estimated.

12. INTERCONNECT AGREEMENT

The District and Paloma Lake Municipal Utility District No. 2 (District No. 2) have each entered into a Wholesale Water and Wastewater Agreement with the City of Round Rock, Texas for the purchase of a wholesale potable water supply. The District and District No. 2 are located adjacent to each other and are being developed under a common development scheme as a single master-planned community. The water utility systems have been designed and constructed as an interconnected and looped water system which receives water supply through multiple metered points of delivery.

Each district is currently responsible for the capital costs of two of the master meters and one of the interconnects, as well as all operations and maintenance relating to its master meters and interconnect. Water costs between the District and District No. 2 are allocated based upon the total amount of water billed to customers within each of the districts, the total estimated amount of any unmetered water utilized by each district and the total amount of unaccounted for water in accordance with the Interconnect Agreement dated effective March 11, 2009, between the District and District No. 2.

13. BOND SALE

On October 13, 2016, the District closed on the sale of its $5,280,000 Series 2016 Bonds. Proceeds of the bonds were used to reimburse a developer within the District for the District's portion of certain water, excavation, drainage and erosion control costs and certain costs of wastewater interceptor line improvements.

REQUIRED SUPPLEMENTARY INFORMATION

PALOMA LAKE MUNICIPAL UTILITY DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SEPTEMBER 30, 2017

	Actual	Original Budget	Variance Positive (Negative)
REVENUES:			
Water and wastewater service, including penalties	$ 1,175,907	$ 864,530	$ 311,377
Property taxes, including penalties	862,811	816,848	45,963
Tap fees and inspections	143,100	124,800	18,300
Other	37,897	9,000	28,897
TOTAL REVENUES	2,219,715	1,815,178	404,537
EXPENDITURES:			
Current:			
Water and wastewater purchases	664,709	552,133	(112,576)
Disposal service	166,694	153,152	(13,542)
Repairs and maintenance	86,540	123,000	36,460
Meter sets/inspection fees	52,580	41,088	(11,492)
Security lights	24,492	24,600	108
Director fees, including payroll taxes	6,899	9,779	2,880
Legal fees	60,187	54,000	(6,187)
Engineering fees	20,153	24,000	3,847
Management fees	108,475	105,205	(3,270)
Bookkeeping fees	24,750	25,350	600
Audit fees	11,250	11,000	(250)
Other consulting fees	4,243	10,000	5,757
Security services	18,468	24,000	5,532
Insurance	7,269	6,000	(1,269)
Tax appraisal/collection fees	5,849	7,000	1,151
Other	3,854	3,400	(454)
Capital outlay	64,357	-	(64,357)
TOTAL EXPENDITURES	1,330,769	1,173,707	(157,062)
NET CHANGE IN FUND BALANCE	888,946	$ 641,471	$ 247,475
FUND BALANCE:			
Beginning of the year	2,771,203		
End of the year	$ 3,660,149		

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TEXAS SUPPLEMENTARY INFORMATION

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PALOMA LAKE MUNICIPAL UTILITY DISTRICT NO. 1
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2017

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

- [X] Retail Water
- [ ] Wholesale Water
- [X] Drainage
- [X] Retail Wastewater
- [ ] Wholesale Wastewater
- [ ] Irrigation
- [ ] Parks/Recreation
- [ ] Fire Protection
- [X] Security
- [X] Solid Waste/Garbage
- [ ] Flood Control
- [ ] Roads
- [X] Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
- [ ] Other (specify):________________

2. Retail Service Providers

a. Retail Rates Based on 5/8" Meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	$ 39.50	-	N	$ 4.25	0 to 10,000
				$ 4.75	10,001 to 30,000
				$ 5.50	30,001 to Unlimited
WASTEWATER:	$ -	-	N	$ 4.20	0 to Unlimited
SURCHARGE:	$ -	-	-		

District employs winter averaging for wastewater usage? Yes [X] No [ ]

Total charges per 10,000 gallons usage: Water $ 82.00 Wastewater $ 42.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered	0.0	0.0	1.0	0.0
< 3/4"	826.0	824.0	1.0	824.0
1"	3.0	3.0	2.5	8.0
1 1/2"	0.0	0.0	5.0	0.0
2"	5.0	5.0	8.0	40.0
3"	2.0	2.0	15.0	30.0
4"	0.0	0.0	25.0	0.0
6"	0.0	0.0	50.0	0.0
8"	0.0	0.0	80.0	0.0
10"	0.0	0.0	115.0	0.0
Total Water	836.0	834.0		902.0
Total Wastewater	826.0	824.0	1.0	824.0

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

Gallons pumped into system: **122,736,000**

Gallons billed to customers: **115,866,000**

Water Accountability Ratio
(Gallons billed / Gallons Pumped)
94.4%

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

Does the District assess 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: ________________

5. Location of District

County(ies) in which district is located: Williamson

Is the District located entirely within one county? Yes ☒ No ☐

Is the District located within a city? Entirely ☐ Partly ☐ Not at all ☒

City(ies) in which district is located: N/A

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 Round Rock, Texas

Are Board members appointed by an office outside the district?

Yes ☐ No ☒

If Yes, by whom? ________________________________

PALOMA LAKE MUNICIPAL UTILITY DISTRICT NO. 1
TSI-2. GENERAL FUND EXPENDITURES
SEPTEMBER 30, 2017

Personnel Expenditures (including benefits)	$ -
Professional Fees:	
Auditing	11,250
Legal	60,187
Engineering	20,153
Financial Advisor	-
Purchased Services for Resale:	
Bulk Water and Wastewater Purchases	664,709
Contracted Services:	
Bookkeeping	24,750
General Manager	108,475
Appraisal District	-
Tax Collector	5,849
Other Contracted Services	22,711
Utilities	24,492
Repairs and Maintenance	86,540
Administrative Expenditures:	
Directors' Fees	6,899
Office Supplies	-
Insurance	7,269
Other Administrative Expenditures	3,854
Capital Outlay:	
Capitalized Assets	64,357
Expenditures not Capitalized	-
Tap Connection Expenditures	52,580
Solid Waste Disposal	166,694
Fire Fighting	-
Parks and Recreation	-
Other Expenditures	-
TOTAL EXPENDITURES	$ 1,330,769

Number of persons employed by the District: [-] Full-Time [-] Part-Time

PALOMA LAKE MUNICIPAL UTILITY DISTRICT NO. 1
TSI-3. TEMPORARY INVESTMENTS
SEPTEMBER 30, 2017

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
General Fund -					
State Investment Pool	XXX0004	Varies	N/A	$ 2,519,177	$ -
Money Market	XXX0269	Varies	N/A	301,006	-
State and Local Government Security	Canal Winchester	1.1910%	12/1/2017	84,986	337
State and Local Government Security	Houston TX	1.9160%	1/1/2018	375,654	1,797
Total				3,280,823	2,134
Debt Service Fund					
State Investment Pool	XXX0001	Varies	N/A	29,067	-
State Investment Pool	XXX0007	Varies	N/A	454,088	-
Money Market Account	XXX1110	Varies	N/A	238,724	-
Total				721,879	-
Capital Projects Fund					
State Investment Pool	XXX0012	Varies	N/A	199,965	-
State Investment Pool	XXX0014	Varies	N/A	256,561	-
Total				456,526	-
Total - All Funds				$ 4,459,228	$ 2,134

PALOMA LAKE MUNICIPAL UTILITY DISTRICT NO. 1
TSI-4. TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2017

	Maintenance Taxes	Debt Service Taxes
Taxes Receivable, Beginning of Year	$ 1,154	$ 1,520
2016 Original Tax Levy, including adjustments	861,161	1,203,656
Add: Adjustments	2,515	3,514
Total to be accounted for	864,830	1,208,690
Tax collections:		
Current year	862,299	1,205,246
Prior years	227	299
Total collections	862,526	1,205,545
Taxes Receivable, End of Year	$ 2,304	$ 3,145
Taxes Receivable, By Years		
2015 and before	$ 927	$ 1,221
2016	1,377	1,924
Taxes Receivable, End of Year	$ 2,304	$ 3,145

Property Valuations:	**2016**	2015	2014
Land and improvements	**$ 219,480,093** (a)	$ 157,798,548 (a)	$ 109,203,029 (a)
Total Property Valuations	**$ 219,480,093** (a)	$ 157,798,548 (a)	$ 109,203,029 (a)
Tax Rates per $100 Valuation:			
Debt Service tax rates	**$ 0.5500**	$ 0.5400	$ 0.4800
Maintenance tax rates	**0.3935**	0.4100	0.4700
Total Tax Rates per $100 Valuation:	**$ 0.9435**	$ 0.9500	$ 0.9500
Original Tax Levy	**$ 2,070,795**	$ 1,499,086	$ 1,037,430
Percent of Taxes Collected to Taxes Levied **	**99.8%**	99.9%	100.0%

Maximum Tax Rate Approved by Voters: $ 1.00 on 5/12/2007.

(a) Valuations are provided by the appropriate Appraisal District. Due to various factors, including tax protests and disputes, such valuations change over time; therefore, they may vary slightly from those disclosed in the District's bond offering documents or the District's annual bond disclosure filings.

** Calculated as taxes collected in current and previous years divided by tax levy. Calculated as of the time of the original tax levy and may vary from that provided in the District's bond offering documents or the District's annual bond disclosure filings.

PALOMA LAKE MUNICIPAL UTILITY DISTRICT NO. 1
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2017

	Unlimited Tax Bonds Series 2013			Unlimited Tax Refunding Bonds Series 2013A			Unlimited Tax Bonds Series 2014			Unlimited Tax Bonds Series 2015			
Fiscal Year Ending	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Fiscal Year Ending
2018	$ 25,000	$ 58,188	$ 83,188	$ 70,000	$ 78,459	$ 148,459	$ 50,000	$ 98,974	$ 148,974	$ 195,000	$ 259,325	$ 454,325	2018
2019	25,000	57,625	82,625	70,000	76,884	146,884	95,000	97,474	192,474	205,000	255,425	460,425	2019
2020	25,000	57,000	82,000	95,000	75,134	170,134	100,000	94,624	194,624	215,000	251,325	466,325	2020
2021	50,000	56,313	106,313	95,000	72,521	167,521	100,000	91,624	191,624	225,000	247,025	472,025	2021
2022	50,000	54,813	104,813	90,000	69,671	159,671	110,000	88,624	198,624	235,000	242,525	477,525	2022
2023	50,000	53,263	103,263	90,000	66,791	156,791	125,000	85,324	210,324	250,000	235,475	485,475	2023
2024	50,000	51,663	101,663	115,000	63,731	178,731	110,000	81,574	191,574	260,000	227,975	487,975	2024
2025	50,000	50,013	100,013	115,000	59,706	174,706	115,000	78,274	193,274	270,000	220,175	490,175	2025
2026	50,000	48,313	98,313	115,000	55,681	170,681	120,000	74,824	194,824	285,000	212,075	497,075	2026
2027	50,000	46,613	96,613	110,000	51,513	161,513	130,000	71,224	201,224	300,000	203,525	503,525	2027
2028	50,000	44,863	94,863	110,000	47,525	157,525	145,000	67,324	212,324	315,000	194,525	509,525	2028
2029	75,000	43,063	118,063	110,000	43,538	153,538	135,000	62,974	197,974	330,000	185,075	515,075	2029
2030	75,000	40,344	115,344	135,000	39,413	174,413	140,000	58,588	198,588	345,000	174,762	519,762	2030
2031	75,000	37,625	112,625	130,000	34,350	164,350	130,000	54,038	184,038	360,000	163,550	523,550	2031
2032	75,000	34,813	109,813	130,000	29,475	159,475	145,000	49,488	194,488	375,000	151,850	526,850	2032
2033	100,000	32,000	132,000	150,000	24,600	174,600	120,000	44,412	164,412	395,000	139,192	534,192	2033
2034	100,000	28,000	128,000	150,000	18,600	168,600	125,000	40,062	165,062	415,000	125,862	540,862	2034
2035	100,000	24,000	124,000	145,000	12,600	157,600	150,000	35,532	185,532	435,000	111,338	546,338	2035
2036	150,000	20,000	170,000	170,000	6,800	176,800	100,000	29,906	129,906	455,000	96,112	551,112	2036
2037	150,000	14,000	164,000	-	-	-	275,000	26,156	301,156	475,000	79,618	554,618	2037
2038	200,000	8,000	208,000	-	-	-	195,000	15,500	210,500	495,000	62,400	557,400	2038
2039	-	-	-	-	-	-	205,000	7,944	212,944	520,000	42,600	562,600	2039
2040	-	-	-	-	-	-	-	-	-	545,000	21,800	566,800	2040
2041	-	-	-	-	-	-	-	-	-	-	-	-	2041
	$ 1,575,000	$ 860,512	$ 2,435,512	$ 2,195,000	$ 926,992	$ 3,121,992	$ 2,920,000	$ 1,354,464	$ 4,274,464	$ 7,900,000	$ 3,903,534	$ 11,803,534	

PALOMA LAKE MUNICIPAL UTILITY DISTRICT NO. 1
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2017

Unlimited Tax Bonds Series 2016			Unlimited Tax Refunding Bonds Series 2017			Total - All Series		
Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total
$ -	$ 134,294	$ 134,294	$ 65,000	$ 65,350	$ 130,350	$ 405,000	$ 694,590	$ 1,099,590
215,000	134,294	349,294	85,000	67,894	152,894	695,000	689,596	1,384,596
200,000	129,994	329,994	85,000	66,194	151,194	720,000	674,271	1,394,271
185,000	125,994	310,994	85,000	64,494	149,494	740,000	657,971	1,397,971
190,000	122,294	312,294	85,000	62,794	147,794	760,000	640,721	1,400,721
190,000	118,494	308,494	80,000	60,244	140,244	785,000	619,591	1,404,591
195,000	114,694	309,694	80,000	57,844	137,844	810,000	597,481	1,407,481
180,000	110,794	290,794	105,000	55,444	160,444	835,000	574,406	1,409,406
195,000	106,968	301,968	105,000	52,294	157,294	870,000	550,155	1,420,155
200,000	102,825	302,825	105,000	49,144	154,144	895,000	524,844	1,419,844
205,000	98,325	303,325	100,000	45,994	145,994	925,000	498,556	1,423,556
215,000	93,712	308,712	100,000	41,994	141,994	965,000	470,356	1,435,356
205,000	88,875	293,875	100,000	37,994	137,994	1,000,000	439,976	1,439,976
215,000	83,750	298,750	125,000	34,868	159,868	1,035,000	408,181	1,443,181
225,000	78,375	303,375	125,000	30,962	155,962	1,075,000	374,963	1,449,963
240,000	72,750	312,750	120,000	26,900	146,900	1,125,000	339,854	1,464,854
225,000	66,750	291,750	145,000	23,000	168,000	1,160,000	302,274	1,462,274
235,000	60,000	295,000	140,000	17,200	157,200	1,205,000	260,670	1,465,670
240,000	52,950	292,950	140,000	11,600	151,600	1,255,000	217,368	1,472,368
255,000	45,750	300,750	150,000	6,000	156,000	1,305,000	171,524	1,476,524
295,000	38,100	333,100	-	-	-	1,185,000	124,000	1,309,000
310,000	29,250	339,250	-	-	-	1,035,000	79,794	1,114,794
325,000	19,950	344,950	-	-	-	870,000	41,750	911,750
340,000	10,200	350,200	-	-	-	340,000	10,200	350,200
$ 5,280,000	$ 2,039,382	$ 7,319,382	$ 2,125,000	$ 878,208	$ 3,003,208	$ 21,995,000	$ 9,963,092	$ 31,958,092

PALOMA LAKE MUNICIPAL UTILITY DISTRICT NO. 1
TSI-6. CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2017

	Bond Issue Series 2012	Bond Issue Series 2013	Bond Issue Series 2013A	Bond Issue Series 2014	Bond Issue Series 2015	Bond Issue Series 2016	Bond Issue Series 2017	Total
Interest Rate	3.1% - 5.0%	2.0% - 4.0%	2.0% - 4.0%	2.0% - 3.875%	2.0% - 4.0%	2.0% - 3.0%	2.0% - 4.0%	
Dates Interest Payable	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	
Maturity Dates	9/1/2037	9/1/2038	9/1/2036	9/1/2039	9/1/2040	9/1/2041	9/1/2037	
Bonds Outstanding at Beginning of Current Fiscal Year	$ 2,135,000	$ 1,600,000	$ 2,265,000	$ 2,950,000	$ 8,000,000	$ -	$ -	$ 16,950,000
Bonds Sold During the Current Fiscal Year	-	-	-	-	-	5,280,000	2,125,000	7,405,000
Retirements During the Current Fiscal Year:								
Refunded	(2,085,000)	-	-	-	-	-	-	(2,085,000)
Principal	(50,000)	(25,000)	(70,000)	(30,000)	(100,000)	-	-	(275,000)
Bonds Outstanding at End of Current Fiscal Year	$ -	$ 1,575,000	$ 2,195,000	$ 2,920,000	$ 7,900,000	$ 5,280,000	$ 2,125,000	$ 21,995,000
Interest Paid During the Current Fiscal Year	$ 96,400	$ 58,688	$ 79,858	$ 99,575	$ 261,325	$ 118,626	$ -	$ 714,472
Paying Agent's Name & Address:	Bank of Texas Austin, TX	Bank of Texas Austin, TX	Bank of Texas Austin, TX	Bank of Texas Austin, TX	Bank of Texas Austin, TX	Bank of Texas Austin, TX	Bank of Texas Austin, TX	

Bond Authority:	Tax Bonds*	Refunding Bonds	Park and Recreational Facilities
Amount Authorized by Voters	$ 39,990,000	$ 59,985,000	$ 7,440,000
Amount Issued	22,540,000	350,000	-
Remaining To Be Issued	$ 17,450,000	$ 59,635,000	$ 7,440,000

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

Debt Service Fund Cash and Temporary Investments balances as of September 30, 2017:	$ 721,879
Average Annual Debt Service Payment (Principal and Interest) for the remaining term of all debt:	$ 1,331,587

PALOMA LAKE MUNICIPAL UTILITY DISTRICT NO. 1
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS
SEPTEMBER 30, 2017

	Amounts					Percentage of Fund Total Revenues				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
GENERAL FUND REVENUES -										
Water and wastewater service, including penalties	$ 1,175,907	$ 918,515	$ 655,038	$ 474,194	$ 361,416	53.0%	50.4%	47.9%	43.9%	45.8%
Property taxes, including penalties	862,811	667,716	521,301	394,143	281,137	38.9%	36.7%	38.2%	36.6%	35.7%
Tap fees and inspections	143,100	200,975	182,250	206,502	143,800	6.4%	11.0%	13.4%	19.2%	18.3%
Other	37,897	33,822	6,272	2,938	1,332	1.7%	1.9%	0.5%	0.3%	0.2%
TOTAL GENERAL FUND REVENUES	2,219,715	1,821,028	1,364,861	1,077,777	787,685	100.0%	100.0%	100.0%	100.0%	100.0%
GENERAL FUND EXPENDITURES -										
Current:										
Water and wastewater purchases	664,709	480,706	322,895	248,235	213,246	29.9%	26.4%	23.6%	22.9%	27.0%
Disposal service	166,694	132,276	98,966	68,134	42,185	7.5%	7.3%	7.3%	6.3%	5.4%
Repairs and maintenance	86,540	80,809	32,112	12,908	10,438	3.9%	4.4%	2.4%	1.2%	1.3%
Inspection fees	52,580	56,897	70,063	62,904	38,442	2.4%	3.1%	5.1%	5.8%	4.9%
Security lights	24,492	20,515	16,439	14,761	12,321	1.1%	1.1%	1.2%	1.4%	1.6%
Director fees, including payroll taxes	6,899	8,270	8,397	7,912	9,204	0.3%	0.5%	0.6%	0.7%	1.2%
Legal fees	60,187	56,717	41,010	44,582	53,418	2.7%	3.1%	3.0%	4.1%	6.8%
Engineering fees	20,153	21,461	21,073	20,523	20,761	0.9%	1.2%	1.5%	1.9%	2.6%
Management fees	108,475	94,003	80,403	56,783	46,720	4.9%	5.2%	5.9%	5.3%	5.9%
Bookkeeping fees	24,750	25,350	24,600	23,550	23,550	1.1%	1.4%	1.8%	2.2%	3.0%
Audit fees	11,250	10,500	10,000	9,500	8,750	0.5%	0.6%	0.7%	0.9%	1.1%
Other Professional fees	4,243	1,350	6,860	888	855	0.2%	0.1%	0.5%	0.1%	0.1%
Insurance	7,269	4,699	4,594	4,539	3,837	0.3%	0.3%	0.3%	0.4%	0.5%
Tax appraisal/collection fees	5,849	4,744	3,942	3,127	2,060	0.3%	0.3%	0.3%	0.3%	0.3%
Security services	18,468	-	-	-	-	0.8%	-	-	-	-
Other	3,854	4,353	4,029	4,977	12,748	0.2%	0.2%	0.3%	0.5%	1.6%
Capital Outlay	64,357	-	-	-	-	2.9%	-	-	-	-
TOTAL GENERAL FUND EXPENDITURES	1,330,769	1,002,650	745,383	583,323	498,535	59.9%	55.2%	54.5%	54.0%	63.3%
EXCESS (DEFICIENCY) OF GENERAL FUND REVENUES OVER EXPENDITURES	$ 888,946	$ 818,378	$ 619,478	$ 494,454	$ 289,150	40.1%	44.8%	45.5%	46.0%	36.7%
DEBT SERVICE FUND REVENUES -										
Property taxes, including penalties	$ 1,205,948	$ 865,763	$ 526,374	$ 277,127	$ 199,912	89.7%	85.2%	82.6%	100.0%	47.7%
Interest	9,147	3,950	1,148	130	392	0.7%	0.4%	0.2%	-	0.1%
Bond proceeds, net of discount	130,011	146,849	109,825	-	218,730	9.7%	14.4%	17.2%	-	52.2%
TOTAL DEBT SERVICE FUND REVENUES	1,345,106	1,016,562	637,347	277,257	419,034	100.0%	100.0%	100.0%	100.0%	100.0%
DEBT SERVICE FUND EXPENDITURES -										
Tax appraisal/collection	8,175	6,248	4,026	2,192	1,578	0.6%	0.6%	0.6%	0.8%	0.4%
Financial advisor fees	-	-	-	622	655	-	-	-	0.2%	0.2%
Bond principal	275,000	170,000	170,000	145,000	110,000	20.3%	16.6%	26.6%	52.2%	26.2%
Bond interest	714,472	567,982	330,483	246,571	211,087	53.1%	55.9%	51.9%	88.9%	50.4%
Bond issuance expenditures	122,052	-	-	-	123,868	9.1%	-	-	-	29.6%
Fiscal agent fees and other	2,400	1,810	5,900	1,600	800	0.2%	0.2%	0.9%	0.6%	0.2%
TOTAL DEBT SERVICE FUND EXPENDITURES	1,122,099	746,040	510,409	395,985	447,988	83.3%	73.3%	80.0%	142.7%	107.0%
EXCESS (DEFICIENCY) OF DEBT SERVICE FUND REVENUES OVER EXPENDITURES	$ 223,007	$ 270,522	$ 126,938	$ (118,728)	$ (28,954)	16.7%	26.7%	20.0%	-42.7%	-7.0%
TOTAL ACTIVE RETAIL WATER CONNECTIONS	834	796	650	496	314					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	824	796	642	487	307					

PALOMA LAKE MUNICIPAL UTILITY DISTRICT NO. 1
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2017

Complete District Mailing Address:	100 Congress Ave., Suite 1300, Austin, TX 78701
District Business Telephone Number:	(512) 435-2300
Submission Date of the most recent District Registration Form TWC Sections 36.054 & 49.054):	November 9, 2016
Limits on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution TWC Section 49.060)	$7,200

Name and Address:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid * 9/30/2017	Expense Reimbursements 9/30/2017	Title at Year End
Board Members:				
Dallas Kelley-Kerr	(Elected) 11/4/2014 - 11/6/2018	$ 1,350	$ 251	President
Bob W. Roberts, Jr.	(Elected) 11/4/2014 - 11/6/2018	$ 1,350	$ -	Vice-President
Nancy McDonald Siefken	(Elected) 11/8/2016 - 11/3/2020	$ 1,200	$ -	Secretary
M. David Blackbird	(Elected) 11/8/2016 - 11/3/2020	$ 900	$ -	Assistant Secretary
Larry Hanrahan	(Elected) 11/4/2014 - 11/6/2018	$ 1,350	$ -	Assistant Secretary
Consultants:				
Crossroads Utility Services	11/10/2010	$ 139,841	$ -	General Manager
Armbrust & Brown, PLLC	01/31/2007	$ 64,942	$ -	Attorney
		$ 95,063	$ -	Bond Related Services
Jones-Heroy Consulting, Inc.	01/31/2007	$ 27,732	$ -	Engineer
		$ 45,912	$ -	Bond Related Services
Bott & Douthitt, PLLC	3/1/2009	$ 24,750	$ 150	District Accountant
McCall Gibson Swedlund Barfoot PLLC	6/10/2009	$ 11,250	$ -	Auditor
		$ 10,650	$ -	Bond Related Services
Specialized Public Finance Inc.	6/11/2014	$ 128,187	$ -	Financial Advisor
McCall Parkhurst & Horton, LLP	6/11/2014	$ 111,122	$ 437	Bond Counsel
Williamson County Tax Collector	05/21/2007	$ 221	$ -	Tax Collector

* *Fees of Office* are the amounts actually paid to a director during the district's fiscal year.

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OTHER SUPPLEMENTARY INFORMATION

PALOMA LAKE MUNICIPAL UTILITY DISTRICT NO. 1
OSI-1. PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2017

		Tax Roll Year		
Taxpayer	Type of Property	**2017**	2016	2015
M/I Homes of Austin LLC	NA	**$ 3,647,858**	$ 4,283,976	$ 4,952,221
Highland Homes - Austin LLC	NA	**3,282,863**	2,886,673	1,215,150
MHI Partnership Ltd	NA	**2,757,107**	3,215,948	4,428,088
North Paloma Lake Development Inc.	NA	**1,127,298**	2,197,638	2,110,416
M/I Homes of Austin LLC	NA	**859,473**	-	-
Homeowner	NA	**664,732**	451,412	547,683
Highland Homes - Austin LLC	NA	**644,000**	-	-
MHI Partnership Ltd	NA	**579,600**	-	-
MHI Partnership Ltd	NA	**516,700**	-	-
Highland Homes - Austin LLC	NA	**502,735**	-	-
Grand Haven Homes LP	NA	-	1,406,169	1,295,251
Paloma Lake Development Inc.	NA	-	897,087	897,768
Homeowner	NA	-	439,063	421,259
Homeowner	NA	-	437,356	411,107
Homeowner	NA	-	429,179	-
MHI Models Ltd.	NA	-	-	609,200
Total		**$ 14,582,366**	$ 16,644,501	$ 16,888,143
Percent of Assessed Valuation before Adjustments		**5.5%**	7.6%	10.7%

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PALOMA LAKE MUNICIPAL UTILITY DISTRICT NO. 1
OSI-2. ASSESSED VALUE BY CLASSIFICATION
SEPTEMBER 30, 2017

	Tax Roll Year								
	2017			2016			2015		
Type of Property		Amount	%		Amount	%		Amount	%
Residential - Single Family	$	248,319,327	92.8%	$	196,059,527	89.3%	$	133,308,503	84.5%
Vacant Platted Lots/Tracts		61,147	-		674,499	0.3%		851,413	0.5%
Real Acreage		1,060,080	0.4%		2,427,711	1.1%		2,717,582	1.7%
Tangible Business Property		1,950,575	0.7%		1,617,049	0.7%		999,347	0.6%
Real Inventory		20,007,502	7.5%		20,175,564	9.2%		18,508,928	11.7%
Exempt Property		11,388,836	4.3%		11,345,046	5.2%		11,191,415	7.2%
Subtotal		282,787,467	105.7%		232,299,396	105.8%		167,577,188	106.2%
Plus/Minus: Adjustments & Exemptions		(15,240,407)	-5.7%		(12,819,303)	-5.7%		(9,778,640)	-6.2%
Total	$	267,547,060	100.0%	$	219,480,093	100.1%	$	157,798,548	100.0%