

# **AVERY RANCH ROAD DISTRICT #1**

## **FINANCIAL REPORT**

**SEPTEMBER 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Avery Ranch Road District #1

We have audited the accompanying financial statements of the governmental activities and each major fund of Avery Ranch Road District #1 (the District), a component unit of Williamson County, Texas (the County), as of and for the year ended September 30, 2016, 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 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.

To the Board of Directors of  
Avery Ranch Road District #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 Avery Ranch Road District #1, as of September 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 6 and budgetary comparison on page 18 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, which 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 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 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 assurance.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the District and do not purport to, and do not, present fairly the financial position of the County, as of September 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Austin, Texas  
February 28, 2017

**AVERY RANCH ROAD DISTRICT #1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016**

**Management's Discussion and Analysis**

As management of the Avery Ranch Road District No. 1 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with the basic financial statements, which follow this section.

**Overview of the District:**

The District is a political subdivision of the State of Texas created by order of the Williamson County Commissioners' Court on February 27, 2001, and confirmed at an election held within the District on May 5, 2001, and operated pursuant to Article III, Section 52 of the Texas Constitution, Chapter 257 of the Texas Transportation Code and Section 1471 of the Texas Government Code. The District was created for the main purpose of constructing or reimbursing the developers, Continental Homes of Texas, L.P., a Texas limited partnership, Avery Ranch, Ltd., a Texas limited partnership, and Rathgeber Investment Company, Ltd., a Texas limited partnership, for the costs of constructing, acquiring by purchase, maintaining and operating a four-lane divided road within the District, known as Avery Ranch Boulevard. The District is located in the City of Austin and in the extraterritorial jurisdiction of the City of Austin, all within Williamson County, Texas.

**Financial Highlights:**

- The liabilities of Avery Ranch Road District #1 exceeded its assets as of September 30, 2016, by \$8,645,970 (i.e. net deficit).
- The District's total net position increased by \$847,113 during the year.
- Cash and investments equaled \$440,539.
- Annual expenses consist of debt service payments and related debt service fees such as paying agent/registrar fees.

**Overview of the Financial Statements:**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) Management's Discussion and Analysis (this section); (2) government-wide financial statements, which include the fund financial statements, and (3) notes to the financial statements.

**AVERY RANCH ROAD DISTRICT #1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2016**

The financial statements include the statement of net position and governmental funds balance sheet and statement of activities and governmental funds statement of revenues, expenditures and changes in fund balance that present information for the District as a whole and provide an indication of the District's financial health.

The statement of net position presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

In fiscal year 2016, the District's taxable assessed value totaled approximately \$1,276,303,240 compared to \$1,170,854,770 in fiscal year 2015. The tax rate is set after reviewing operating and debt service requirements. The District's primary revenue source is property taxes.

The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District's funds are governmental funds and, as such, the financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The financial statements can be found on pages 7 and 8 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found beginning on page 9 of this report.

**Financial Analysis:**

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. As of September 30, 2016, the District's liabilities exceeded assets by \$8,645,970.

**AVERY RANCH ROAD DISTRICT #1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2016**

Avery Ranch Road District Net Position

	2016	2015
Assets	\$ 617,705	\$ 649,503
Long-term liabilities	9,230,000	10,097,142
Other liabilities	33,675	45,444
Total liabilities	9,263,675	10,142,586
Net position		
Restricted	409,782	439,840
Unrestricted	(9,055,752)	(9,932,923)
Total net position (deficit)	<u>\$ (8,645,970)</u>	<u>\$ (9,493,083)</u>

Overall, the District had an increase in net position of \$847,113. This increase is primarily related to the District paying down the principal balance of bonded debt.

Avery Ranch Road District's Change in Net Position

	2016	2015
Revenues		
General revenues		
Assessments	\$ 1,247,169	\$ 1,216,822
Interest	3,505	620
Total general revenues	1,250,674	1,217,442
Expenses		
General government	15,436	17,379
Interest and fiscal charges	388,125	409,352
Total expenses	403,561	426,731
Change in net position	847,113	790,711
NET POSITION (DEFICIT), beginning	(9,493,083)	(10,283,794)
NET POSITION (DEFICIT), ending	<u>\$ (8,645,970)</u>	<u>\$ (9,493,083)</u>

The Debt Service Fund remitted bond principal payments of \$920,000 and interest and fiscal charges of \$315,873.

**AVERY RANCH ROAD DISTRICT #1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2016**

The District owes \$8,740,000 to bond holders. During the year, the principal balance was reduced by \$920,000. More detailed information about the District's long-term debt is presented in the notes to the financial statements.

**Discussion of Currently Known Facts, Decision or Condition in Fiscal Year 2016:**

The property tax base for fiscal year 2016 is \$1,276,303,240. The tax rate is \$0.097500 on each \$100 of taxable value. Approximately 100% of the property tax will be set aside for debt service.

**Requests for Information:**

This financial report is designed to provide our citizens with a general overview of the District's finances. If you have any questions about this report or need any additional information, please contact the Williamson County Auditor's Office at (512) 943-1500; 710 Main Street, Suite 301, Georgetown, Texas 78626.



**AVERY RANCH ROAD DISTRICT #1**  
**STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**SEPTEMBER 30, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Totals</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>					
Cash and investments	\$ -	440,539	\$ 440,539	\$ -	\$ 440,539
Property tax receivable	-	2,918	2,918	-	2,918
<b>Total assets</b>	<u>-</u>	<u>443,457</u>	<u>443,457</u>	<u>-</u>	<u>443,457</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred losses on refunding	-	-	-	174,248	174,248
<b>Total assets and deferred outflows of resources</b>	<u>\$ -</u>	<u>\$ 443,457</u>	<u>\$ 443,457</u>	<u>\$ 174,248</u>	<u>\$ 617,705</u>
<b>LIABILITIES</b>					
Interest payable	\$ -	\$ -	\$ -	\$ 33,675	\$ 33,675
Non-current liabilities					
Due within one year	-	-	-	1,042,915	1,042,915
Due in more than one year	-	-	-	8,187,085	8,187,085
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,263,675</u>	<u>9,263,675</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred property taxes	-	2,827	2,827	(2,827)	-
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>2,827</u>	<u>2,827</u>	<u>(2,827)</u>	<u>-</u>
<b>FUND BALANCE/NET POSITION</b>					
Fund balance					
Restricted for debt service	-	440,630	440,630	(440,630)	
<b>Total fund balance</b>	<u>-</u>	<u>440,630</u>	<u>440,630</u>	<u>(440,630)</u>	
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<u>\$ -</u>	<u>\$ 443,457</u>	<u>\$ 443,457</u>		
<b>NET POSITION (DEFICIT)</b>					
Restricted for debt service				409,782	409,782
Unrestricted				(9,055,752)	(9,055,752)
<b>TOTAL NET POSITION (DEFICIT)</b>				<u>\$(8,645,970)</u>	<u>\$ (8,645,970)</u>

The Notes to Financial Statements are  
an integral part of this statement.

**AVERY RANCH ROAD DISTRICT #1**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**YEAR ENDED SEPTEMBER 30, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Totals</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES/EXPENSES</b>					
Current:					
General government	\$ -	\$ 15,436	\$ 15,436	\$ -	\$ 15,436
Debt service					
Principal	-	920,000	920,000	(920,000)	-
Interest and fiscal charges	-	315,873	315,873	(34,652)	281,221
Debt issuance costs	-	106,904	106,904	-	106,904
<b>Total expenditures/expenses</b>	-	1,358,213	1,358,213	(954,652)	403,561
<b>GENERAL REVENUES</b>					
Property taxes	-	1,249,383	1,249,383	(2,214)	1,247,169
Interest	-	3,505	3,505	-	3,505
<b>Total general revenues</b>	-	1,252,888	1,252,888	(2,214)	1,250,674
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	(105,325)	(105,325)	952,438	847,113
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of long-term debt	-	2,895,000	2,895,000	(2,895,000)	-
Premium on issuance of long term-debt	-	72,875	72,875	(72,875)	-
Payment to bond escrow agent	-	(2,902,163)	(2,902,163)	2,902,163	-
<b>Total other financing         sources</b>	-	65,712	65,712	(65,712)	-
<b>CHANGES IN FUND BALANCE / NET POSITION</b>	-	(39,613)	(39,613)	886,726	847,113
<b>FUND BALANCE / NET POSITION (DEFICIT)</b>					
Beginning	-	480,243	480,243	(9,973,326)	(9,493,083)
Ending	<u>\$ -</u>	<u>\$ 440,630</u>	<u>\$ 440,630</u>	<u>\$ (9,086,600)</u>	<u>\$ (8,645,970)</u>

The Notes to Financial Statements are  
an integral part of this statement.

## **AVERY RANCH ROAD DISTRICT #1 NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Reporting Entity**

Chapter 257 of the Texas Transportation Code and Chapter 1471, Texas Government Code allow a commissioners' court of a county to establish one or more road districts in the county. A road district created pursuant to the Act is a political subdivision and a body corporate of the State of Texas. The Avery Ranch Road District No. 1 (the District) was created by order of the Williamson County Commissioners' Court on February 27, 2001, in accordance with the Texas Government Code and Article III, Section 52 of the Texas Constitution.

The District is governed by the Williamson County Commissioners' Court and is a component unit of Williamson County.

On May 11, 2001, the District's voters authorized the issuance of unlimited tax bonds for the purpose of reimbursing the developer for the construction costs of developing roads within the District. The District issues unlimited tax bonds to reimburse developers after each construction project is completed. The bonds are payable from property taxes.

#### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. *Governmental activities* are supported by property taxes and investment revenue.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenue are reported instead as *general revenue*.

The government-wide and fund financial statements are provided for the governmental funds of the District with a column for adjustments between the two statements.

#### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

**AVERY RANCH ROAD DISTRICT #1  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The District reports the following major governmental funds:

The **General Fund** is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Assets, Liabilities and Net Position or Equity**

*Cash and Investments*

Investments for the District are reported at amortized cost. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

*Receivables and Payables*

Property taxes are levied on October 1 and attach as an enforceable lien on property as of January 1. Statements are mailed on October 1, or as soon thereafter as possible, and are due upon receipt. All unpaid taxes become delinquent if not paid before February 1 of the following year. Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

**AVERY RANCH ROAD DISTRICT #1  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities and Net Position or Equity – Continued**

*Long-term Obligations*

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

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 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 debt service expenditures.

*Fund Equity*

The District has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* (GASB 54). The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are nonspendable, restricted for, committed to, assigned and unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

**AVERY RANCH ROAD DISTRICT #1  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities and Net Position or Equity – Continued**

*Fund Equity – Continued*

In accordance with GASB 54, the District classifies governmental fund balances as follows:

Restricted – includes fund balance amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors, or amount restricted due to constitutional provisions or enabling legislation.

Unassigned – includes residual positive fund balance within the General Fund, which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

*Net Position*

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors or laws or regulations of other governments.

*Estimates*

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

**AVERY RANCH ROAD DISTRICT #1  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2. STEWARDSHIP AND ACCOUNTABILITY**

**Deficit Net Position**

A net position deficit of \$8,645,970 exists in governmental activities as of September 30, 2016. This deficit is the result of the District issuing bonds to finance the construction of roads contributed to the City of Austin. As of September 30, 2016, the amount of bonds outstanding that were used to finance construction of assets transferred to the City of Austin was \$8,740,000.

**NOTE 3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Amounts reported for net position of governmental activities in the statement of net position and governmental funds balance sheet are different because:

Fund balance - governmental funds	\$ 440,630
Property taxes are not recognized until collected in the governmental funds	2,827
Accrued interest on bonds payable is not payable with current financial	(33,675)
Long-term obligations are not due and payable in the current period and	(9,230,000)
Deferred losses on bond refundings do not provide current financial	<u>174,248</u>
Net position (deficit) of governmental activities	<u><u>\$ (8,645,970)</u></u>

**AVERY RANCH ROAD DISTRICT #1  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – CONTINUED**

Amounts reported for change in net position of governmental activities in the statement of activities and change in fund balance of governmental funds in the statement of revenues, expenditures, and changes in fund balance are different because:

Change in fund balance - governmental funds	\$ (39,613)
Property taxes are not recognized until collected in the governmental funds	(2,214)
Some expenses reported in the statement of activities do not require the use of current financial resources	34,652
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the payment to bond escrow agent consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, the governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt related items.	(65,712)
Principal payments on long-term obligations are expensed in the funds but reduce the balance of these obligations payable in the statement of net position	<u>920,000</u>
Change in net position of governmental activities	<u><u>\$ 847,113</u></u>

**NOTE 4. INVESTMENTS**

As of September 30, 2016, the District had the following investments:

Investment type	Amortized Cost	Weighted average maturity (days)
TexPool	<u>\$ 440,539</u>	45
Total investments	<u><u>\$ 440,539</u></u>	



**AVERY RANCH ROAD DISTRICT #1  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4. INVESTMENTS – CONTINUED**

The District's investment in TexPool, which is a 2a7-like pool, is recorded at amortized cost, which is believed to approximate fair value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

TexPool was created under the Interlocal Cooperation Act, Texas Government Code Ann. Chapter 791, and the Texas Public Funds Investment Act. The Texas Treasury Safekeeping Trust Company (the Trust) is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is sole officer, director, and shareholder. The advisory board of TexPool is composed of members appointed pursuant to the requirements of the Texas Public Funds Investment Act.

**Interest Rate Risk**

In accordance with its investment policy, the District manages its exposure to declines in fair market values by limiting the average dollar weighted maturity of its investment portfolios to a maximum of 180 days.

**Credit Risk**

It is the District's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. TexPool was rated AAAm by Standard & Poor's Investors Service.

**AVERY RANCH ROAD DISTRICT #1  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5. LONG-TERM OBLIGATIONS**

**Unlimited Tax Refunding Bonds**

In March 2012, the District issued \$7,475,000 in Unlimited Tax Refunding Bonds, Series 2012. These bonds were used to purchase U.S. Government State and Local Government Series Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$7,535,000 for certain Series 2002 unlimited tax road bonds, Series 2003 unlimited tax road bonds and Series 2005 unlimited tax road bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$295,594. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to decrease the total debt service payments over the next 13 years by \$966,820, and resulted in an economic gain of \$791,445. The bonds constitute direct obligations of the Avery Ranch Road District payable from ad valorem taxes levied upon all taxable property located within the Road District. Interest at rates ranging from 2.0% to 4.0% is payable at February 15 and August 15 of each year.

In May 2016, the District issued \$2,895,000 in Unlimited Tax Refunding Bonds, Series 2016. These bonds were used to currently refund \$2,845,000 for certain Series 2007 unlimited tax road bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$57,163. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same life of the new debt issued. This advance refunding was undertaken to decrease the total debt service payments over the next 6 years by \$164,660, and resulted in an economic gain of \$152,844. The bonds constitute direct obligations of the Avery Ranch Road District payable from ad valorem taxes levied upon all taxable property located within the Road District. Interest at a rate of 2.0% is payable at February 15 and August 15 of each year.

On September 30, 2016, there are no bonds considered defeased that are still outstanding.

**AVERY RANCH ROAD DISTRICT #1  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5. LONG-TERM OBLIGATIONS – CONTINUED**

**Unlimited Tax Refunding Bonds – Continued**

Long-term liability activity for the year ended September 30, 2016, was as follows:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Refunding bonds	\$ 9,610,000	\$ 2,895,000	\$ 3,765,000	\$ 8,740,000	\$ 985,000
Premium on issuance of bonds	487,142	72,875	70,017	490,000	57,915
Governmental activities long-term liabilities	<u>\$ 10,097,142</u>	<u>\$ 2,967,875</u>	<u>\$ 3,835,017</u>	<u>\$ 9,230,000</u>	<u>\$ 1,042,915</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 985,000	\$ 269,400	\$ 1,254,400
2018	1,015,000	244,400	1,259,400
2019	1,040,000	218,600	1,258,600
2020	1,070,000	192,200	1,262,200
2021	1,095,000	162,100	1,257,100
2022-2025	3,535,000	316,000	3,851,000
Total	<u>\$ 8,740,000</u>	<u>\$ 1,402,700</u>	<u>\$ 10,142,700</u>

## **SUPPLEMENTARY INFORMATION**

**AVERY RANCH ROAD DISTRICT #1**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**YEAR ENDED SEPTEMBER 30, 2016**

	Original and Final	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 1,244,713	\$ 1,249,383	\$ 4,670
Interest	600	3,505	2,905
Total revenues	1,245,313	1,252,888	7,575
EXPENDITURES			
Current			
General government	20,500	15,436	5,064
Debt service			
Principal	920,000	920,000	-
Interest and other charges	315,883	315,873	10
Debt issuance costs	106,904	106,904	-
Total expenditures	1,363,287	1,358,213	5,074
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(117,974)	(105,325)	2,501
OTHER FINANCING SOURCES (USES)			
Issuance of long-term debt	2,895,000	2,895,000	-
Premium on issuance of long-term debt	72,875	72,875	-
Payment to bond escrow agent	(2,902,163)	(2,902,163)	-
Net change in fund balance	(52,262)	(39,613)	12,649
FUND BALANCE, beginning	480,243	480,243	-
FUND BALANCE, ending	\$ 427,981	\$ 440,630	\$ 12,649