

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2017**



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## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	13-14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO THE FINANCIAL STATEMENTS	16-34
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	36
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	38-40
GENERAL FUND EXPENDITURES	41
INVESTMENTS	42
TAXES LEVIED AND RECEIVABLE	43-44
LONG-TERM DEBT SERVICE REQUIREMENTS	45-55
CHANGES IN LONG-TERM BOND DEBT	56-58
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	59-62
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	63-64



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Bridgestone Municipal Utility District  
Harris County, Texas

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

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

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

### **Auditor's Responsibility**

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

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

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





## **Opinions**

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

## **Required Supplementary Information**

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

## **Supplementary Information**

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

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

March 20, 2018



**BRIDGESTONE MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

The Statement of Net Position presents information that includes all of the District's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,890,065 as of December 31, 2017. A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2017</u>	<u>2016</u>	Change Positive (Negative)
Current and Other Assets	\$ 29,617,455	\$ 29,530,604	\$ 86,851
Capital Assets (Net of Accumulated Depreciation)	<u>74,457,345</u>	<u>73,676,068</u>	<u>781,277</u>
Total Assets	<u>\$ 104,074,800</u>	<u>\$ 103,206,672</u>	<u>\$ 868,128</u>
Deferred Outflows of Resources	\$ 3,626,780	\$ 3,837,020	\$ (210,240)
Bonds Payable	\$ 75,480,146	\$ 77,947,318	\$ 2,467,172
Due to Developers	7,992,259	5,980,451	(2,011,808)
Other Liabilities	<u>1,859,882</u>	<u>1,964,633</u>	<u>104,751</u>
Total Liabilities	<u>\$ 85,332,287</u>	<u>\$ 85,892,402</u>	<u>\$ 560,115</u>
Deferred Inflows of Resources	\$ 7,479,228	\$ 7,566,832	\$ 87,604
Net Position:			
Net Investment in Capital Assets	\$ (4,789,154)	\$ (5,848,512)	\$ 1,059,358
Restricted	2,699,650	3,063,646	(363,996)
Unrestricted	<u>16,979,569</u>	<u>16,369,324</u>	<u>610,245</u>
Total Net Position	<u>\$ 14,890,065</u>	<u>\$ 13,584,458</u>	<u>\$ 1,305,607</u>

The following table provides a summary of the District's operations for the years ending December 31, 2017, and December 31, 2016. The District's net position increased by \$1,305,607, or 9.6%.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2017</u>	<u>2016</u>	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 7,548,714	\$ 7,438,374	\$ 110,340
Charges for Services	6,672,236	5,975,610	696,626
Other Revenues	<u>1,668,297</u>	<u>1,423,864</u>	<u>244,433</u>
Total Revenues	\$ 15,889,247	\$ 14,837,848	\$ 1,051,399
Expenses for Services	<u>14,583,640</u>	<u>13,540,630</u>	<u>(1,043,010)</u>
Change in Net Position	\$ 1,305,607	\$ 1,297,218	\$ 8,389
Net Position, Beginning of Year	<u>13,584,458</u>	<u>12,287,240</u>	<u>1,297,218</u>
Net Position, End of Year	<u>\$ 14,890,065</u>	<u>\$ 13,584,458</u>	<u>\$ 1,305,607</u>

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

The District's combined fund balances as of December 31, 2017, were \$17,365,589, an increase of \$305,694 from the prior year.

The General Fund fund balance increased by \$672,453, primarily due to operating, sales tax and property tax revenues exceeding operating and administrative costs.

The Debt Service Fund fund balance decreased by \$399,716, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by \$32,957.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$631,087 more than budgeted revenues primarily due to an increase in property tax revenues due to an increase in assessed valuation as well as higher than anticipated service revenues and tap revenues. Actual expenditures were \$1,409,788 less than budgeted expenditures primarily due to actual capital outlay and repairs and maintenance costs being lower than budgeted.

**CAPITAL ASSETS**

Capital assets as of December 31, 2017, total \$74,457,345 (net of accumulated depreciation) and include land and construction in progress, as well as the water, wastewater and drainage systems. Capital asset activity during the year included the Grand Parkway Marketplace II sanitary sewer extension; Water Plant Nos. 1, 2, 3 and 5 elevated storage tank improvements; FM 2920 8-inch water and sanitary sewer extension; Upper Seals Gully Phase III; fence installation at Water Plant No. 3; 12-inch water line extension along Spring Steubner Road; 8-inch water and sanitary sewer extension along the Northwest corner of FM 2920 and Gosling Road; land for a District administration building; and new flygt pumps at lift station No. 5.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2017	2016	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 11,056,455	\$ 10,349,652	\$ 706,803
Construction in Progress	563,854	861,442	(297,588)
Capital Assets, Net of Accumulated Depreciation:			
Water System	16,301,793	15,874,850	426,943
Wastewater System	25,190,733	25,812,012	(621,279)
Drainage System	21,344,510	20,778,112	566,398
Total Net Capital Assets	\$ 74,457,345	\$ 73,676,068	\$ 781,277

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**LONG-TERM DEBT ACTIVITY**

As of December 31, 2017, the District had total bond debt payable of \$76,050,000. The changes in the debt position of the District during the fiscal year ended December 31, 2017, are summarized as follows:

Bond Debt Payable, January 1, 2017	\$ 78,550,000
Less: Bond Principal Paid	<u>2,500,000</u>
Bond Debt Payable, December 31, 2017	<u>\$ 76,050,000</u>

The District's underlying rating is "A". The Series 2007, 2008, 2009-A, 2009-B, 2011, 2012 Refunding, and 2015 bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal. The Series 2010 bonds are not rated. The Series 2014 and Series 2016 Refunding bonds carry an insured rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. The above ratings reflect all changes through December 31, 2017.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Bridgestone Municipal Utility District, c/o Radcliffe Bobbitt Adams Polley PLLC, 2929 Allen Parkway, Suite 3450, Houston, TX 77019.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**DECEMBER 31, 2017**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS</b>		
Cash	\$ 2,031,294	\$ 579,679
Investments	12,483,561	3,550,622
Receivables:		
Property Taxes	2,262,755	3,938,076
Penalty and Interest on Delinquent Taxes		
Service Accounts	456,948	
Accrued Interest	8,886	7,036
Due from Other Funds	212,503	
Prepaid Costs	170,307	
Due from City of Houston	273,054	
Chloramination Credit Receivable		
Elevated Storage Tank Credit Receivable		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 17,899,308</b>	<b>\$ 8,075,413</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
 <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 17,899,308</b>	<b>\$ 8,075,413</b>

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



<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 599,126	\$ 3,210,099	\$	\$ 3,210,099
	16,034,183		16,034,183
	6,200,831		6,200,831
		31,726	31,726
	456,948		456,948
	15,922		15,922
	212,503	(212,503)	
	170,307	83,121	253,428
	273,054		273,054
		401,118	401,118
		2,740,146	2,740,146
		11,056,455	11,056,455
		563,854	563,854
		62,837,036	62,837,036
<u>\$ 599,126</u>	<u>\$ 26,573,847</u>	<u>\$ 77,500,953</u>	<u>\$ 104,074,800</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,626,780</u>	<u>\$ 3,626,780</u>
<u>\$ 599,126</u>	<u>\$ 26,573,847</u>	<u>\$ 81,127,733</u>	<u>\$ 107,701,580</u>

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

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**DECEMBER 31, 2017**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 599,025	\$ 1,659
Accrued Interest Payable		
Due to Other Funds		212,503
Security Deposits	812,304	
Long-Term Liabilities:		
Due to Developers		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	<b>\$ 1,411,329</b>	<b>\$ 214,162</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	<u>\$ 2,767,693</u>	<u>\$ 4,815,074</u>
 <b>FUND BALANCES</b>		
Nonspendable - Prepaid Costs	\$ 170,307	\$
Restricted for Authorized Construction		
Restricted for Debt Service		3,046,177
Assigned to 2018 Budget Deficit	4,560,054	
Unassigned	<u>8,989,925</u>	<u></u>
<b>TOTAL FUND BALANCES</b>	<b>\$ 13,720,286</b>	<b>\$ 3,046,177</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 17,899,308</b>	<b>\$ 8,075,413</b>
 <b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 600,684	\$	\$ 600,684
		446,894	446,894
	212,503	(212,503)	
	812,304		812,304
		7,992,259	7,992,259
		2,665,000	2,665,000
		72,815,146	72,815,146
<u>\$ -0-</u>	<u>\$ 1,625,491</u>	<u>\$ 83,706,796</u>	<u>\$ 85,332,287</u>
<u>\$ -0-</u>	<u>\$ 7,582,767</u>	<u>\$ (103,539)</u>	<u>\$ 7,479,228</u>
\$	\$ 170,307	\$ (170,307)	\$
599,126	599,126	(599,126)	
	3,046,177	(3,046,177)	
	4,560,054	(4,560,054)	
	8,989,925	(8,989,925)	
<u>\$ 599,126</u>	<u>\$ 17,365,589</u>	<u>\$ (17,365,589)</u>	<u>\$ - 0 -</u>
<u>\$ 599,126</u>	<u>\$ 26,573,847</u>		
		\$ (4,789,154)	\$ (4,789,154)
		2,699,650	2,699,650
		16,979,569	16,979,569
		<u>\$ 14,890,065</u>	<u>\$ 14,890,065</u>

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

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

Total Fund Balances - Governmental Funds \$ 17,365,589

Amounts reported for governmental activities in the Statement of Net Position are different because:

Credits due from the North Harris County Regional Water Authority for asset reimbursements are not current financial resources and, therefore, are not reported as assets in the governmental funds. 3,141,264

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter. 3,626,780

Prepaid bond insurance costs are amortized over the term of the bonds in the government-wide financial statements. 83,121

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 74,457,345

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2016 and prior tax levies became part of recognized revenue in the governmental activities of the District. 135,265

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (7,992,259)	
Accrued Interest Payable	(446,894)	
Bonds Payable	<u>(75,480,146)</u>	<u>(83,919,299)</u>
Total Net Position - Governmental Activities		<u>\$ 14,890,065</u>

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

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**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 2,600,801	\$ 4,928,234
Water Service	1,485,176	
Wastewater Service	1,270,797	
Solid Waste Disposal	1,038,484	
Water Authority Fees	2,045,655	
Penalty and Interest	83,715	67,051
Tap Connection and Inspection Fees	674,531	
Water Authority Credits	256,966	
Sales Tax Revenues	1,090,368	
Miscellaneous Revenues	198,302	50,644
<b>TOTAL REVENUES</b>	<b>\$ 10,744,795</b>	<b>\$ 5,045,929</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 507,651	\$ 23,233
Contracted Services	2,146,134	137,119
Purchased Water Service	1,899,807	
Utilities	316,188	
Water Authority Assessments	446,542	
Repairs and Maintenance	1,113,633	
Depreciation		
Other	1,164,987	23,577
Capital Outlay	3,074,325	
Conveyance of Assets		
Debt Service:		
Bond Principal		2,500,000
Bond Interest		2,761,716
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 10,669,267</b>	<b>\$ 5,445,645</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<b>\$ 75,528</b>	<b>\$ (399,716)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Developer Contributions	\$ 596,925	\$ -0-
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 672,453</b>	<b>\$ (399,716)</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - JANUARY 1, 2017</b>	<b>13,047,833</b>	<b>3,445,893</b>
<b>FUND BALANCES/NET POSITION - DECEMBER 31, 2017</b>	<b>\$ 13,720,286</b>	<b>\$ 3,046,177</b>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 7,529,035	\$ 19,679	\$ 7,548,714
	1,485,176		1,485,176
	1,270,797		1,270,797
	1,038,484		1,038,484
	2,045,655		2,045,655
	150,766	6,827	157,593
	674,531		674,531
	256,966	(64,614)	192,352
	1,090,368		1,090,368
67,447	316,393	69,184	385,577
<u>\$ 67,447</u>	<u>\$ 15,858,171</u>	<u>\$ 31,076</u>	<u>\$ 15,889,247</u>
\$	\$ 530,884	\$	\$ 530,884
	2,283,253		2,283,253
	1,899,807		1,899,807
	316,188		316,188
	446,542		446,542
	1,113,633		1,113,633
		2,114,804	2,114,804
433	1,188,997		1,188,997
34,057	3,108,382	(3,108,382)	
		1,696,370	1,696,370
	2,500,000	(2,500,000)	
	2,761,716	231,446	2,993,162
<u>\$ 34,490</u>	<u>\$ 16,149,402</u>	<u>\$ (1,565,762)</u>	<u>\$ 14,583,640</u>
<u>\$ 32,957</u>	<u>\$ (291,231)</u>	<u>\$ 1,596,838</u>	<u>\$ 1,305,607</u>
<u>\$ -0-</u>	<u>\$ 596,925</u>	<u>\$ (596,925)</u>	<u>\$ -0-</u>
\$ 32,957	\$ 305,694	\$ (305,694)	\$
		1,305,607	1,305,607
566,169	17,059,895	(3,475,437)	13,584,458
<u>\$ 599,126</u>	<u>\$ 17,365,589</u>	<u>\$ (2,475,524)</u>	<u>\$ 14,890,065</u>

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

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Net Change in Fund Balances - Governmental Funds	\$	305,694
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are		19,679
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		6,827
Governmental funds report repayment of long-term receivables as revenues in the period received. However, in the Statement of Net Position, reimbursements reduce long-term receivables.		(64,614)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(2,114,804)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		884,271
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		2,500,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		(231,446)
Change in Net Position - Governmental Activities	<u>\$</u>	<u>1,305,607</u>

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



**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 1. CREATION OF DISTRICT**

Bridgestone Municipal Utility District of Harris County, Texas (the “District”) was created effective July 29, 1976, by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on August 14, 1976, and the first bonds were sold on March 14, 1978.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting.

GASB Codification set 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:

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

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

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

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

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include the 2016 tax levy collections during the period October 1, 2016, to December 31, 2017. In addition, taxes collected from January 1, 2017, to December 31, 2017, for the 2015 and prior tax levies are included in revenue. Recognition of tax revenues for the 2017 tax levy has been deferred until the 2018 fiscal year.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Water System	10-45
Wastewater System	10-45
Drainage System	10-45

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Pensions

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

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances are classified in governmental funds using the following hierarchy:

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

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

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

*Assigned*: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of December 31, 2017, the District has assigned \$4,560,054 of the General Fund fund balance to be used for a budgeted General Fund deficit during the year ending December 31, 2018.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

*Unassigned:* all other spendable amounts in the General Fund.

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

Accounting Estimates

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

**NOTE 3. LONG-TERM DEBT**

	<u>Series 2007</u>	<u>Series 2008</u>	<u>Series 2009-A</u>
Amount Outstanding – December 31, 2017	\$ 255,000	\$ 1,545,000	\$ 810,000
Interest Rates	4.125%	4.125% - 5.000%	5.50%
Maturity Dates – Serially Beginning/Ending	May 1, 2018	November 1, 2018/2020	November 1, 2018/2020
Interest Payment Dates	May 1/ November 1	May 1/ November 1	May 1/ November 1
Callable Dates	May 1, 2017*	May 1, 2018*	November 1, 2019*

\* Or on any other date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

	<u>Series 2009-B</u>	<u>Series 2010 Refunding</u>	<u>Series 2011</u>
Amount Outstanding – December 31, 2017	\$ 15,125,000	\$ 1,650,000	\$ 6,375,000
Interest Rates	4.00% - 5.50%	4.00%	3.00% - 5.00%
Maturity Dates – Serially Beginning/Ending	November 1, 2018/2036	November 1, 2018/2020	November 1, 2018/2038
Interest Payment Dates	May 1/ November 1	May 1/ November 1	May 1/ November 1
Callable Dates	November 1, 2019*	November 1, 2019*	November 1, 2021*
	<u>Refunding Series 2012</u>	<u>Series 2014</u>	<u>Series 2015</u>
Amount Outstanding – December 31, 2017	\$ 5,215,000	\$ 3,955,000	\$ 6,410,000
Interest Rates	2.50% - 4.00%	2.00% - 4.00%	2.125% - 4.000%
Maturity Dates – Serially Beginning/Ending	May 1, 2018/2028	May 1, 2018/2041	May 1, 2021/2041
Interest Payment Dates	May 1/ November 1	May 1/ November 1	May 1/ November 1
Callable Dates	May 1, 2020*	May 1, 2022*	May 1, 2022*

\* Or on any other date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2009-B term bonds due November 1, 2036, are subjected to mandatory redemption on November 1, 2034. Series 2011 term bonds due November 1, 2027, November 1, 2036, and November 1, 2038 are subjected to mandatory redemption on November 1, 2022, November 1, 2033, and November 1, 2037. Series 2014 term bonds due May 1, 2026, May 1, 2028, May 1, 2030, May 1, 2032, May 1, 2034, May 1, 2036, May 1, 2038, and May 1, 2041, are subjected to mandatory redemption on May 1, 2025, May 1, 2027, May 1, 2029, May 1, 2031, May 1, 2033, May 1, 2035, May 1, 2037, and May 1, 2039, respectively.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

	<u>Refunding Series 2016</u>
Amount Outstanding – December 31, 2017	\$ 34,710,000
Interest Rates	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	May 1, 2018/2036
Interest Payment Dates	May 1/ November 1
Callable Dates	May 1, 2022*

\* Or on any other date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2017:

	<u>January 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2017</u>
Bonds Payable	\$ 78,550,000	\$	\$ 2,500,000	\$ 76,050,000
Unamortized Discounts	(939,353)		(71,436)	(867,917)
Unamortized Premiums	336,671		38,608	298,063
Bonds Payable, Net	<u>\$ 77,947,318</u>	<u>\$ -0-</u>	<u>\$ 2,467,172</u>	<u>\$ 75,480,146</u>
		Amount Due Within One Year		\$ 2,665,000
		Amount Due After One Year		72,815,146
		Bonds Payable, Net		<u>\$ 75,480,146</u>



**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,665,000	\$ 2,665,520	\$ 5,330,520
2019	2,775,000	2,566,374	5,341,374
2020	2,810,000	2,463,773	5,273,773
2021	2,810,000	2,319,178	5,129,178
2022	2,995,000	2,210,704	5,205,704
2023-2027	16,950,000	9,640,753	26,590,753
2028-2032	21,225,000	6,747,724	27,972,724
2033-2037	20,125,000	2,782,973	22,907,973
2038-2041	3,695,000	255,578	3,950,578
	<u>\$ 76,050,000</u>	<u>\$ 31,652,577</u>	<u>\$ 107,702,577</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and wastewater system.

As of December 31, 2017, the District had authorized but unissued tax and revenue bonds in the amount of \$13,108,668 that may be issued for the purpose of constructing facilities to serve the District and for refunding purposes.

During the year ended December 31, 2017, the District levied an ad valorem debt service tax rate of \$0.33 per \$100 of assessed valuation, which resulted in a tax levy of \$4,746,433 on the adjusted taxable valuation of \$1,437,723,786 for the 2017 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

The District's tax calendar is as follows:

- Levy Date - October 1, or as soon thereafter as practicable.
- Lien Date - January 1.
- Due Date - Not later than January 31.
- Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue and every 5<sup>th</sup> year thereafter.

The District is required to provide to certain information repositories continuing disclosure of annual financial information and operating data with respect to the District. The information is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of collateral eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such collateral is pledged. At fiscal year end, the carrying amount of the District's deposits was \$6,674,124 and the bank balance was \$6,884,398. The District was not exposed to custodial credit risk at year-end.

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

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 2,031,294	\$ 1,860,970	\$ 3,892,264
DEBT SERVICE FUND	579,679	1,603,055	2,182,734
CAPITAL PROJECTS FUND	599,126		599,126
TOTAL DEPOSITS	<u>\$ 3,210,099</u>	<u>\$ 3,464,025</u>	<u>\$ 6,674,124</u>

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

Investments

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

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

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

The District invests in the Texas Short Term Asset Reserve Program ("TexSTAR"), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and FirstSouthwest, a division of Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

The District records its investment in certificates of deposit at amortized cost.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

Investments (Continued)

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

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 5,561,593	\$ 5,561,593
TexSTAR	5,060,998	5,060,998
Certificates of Deposit	1,860,970	1,860,970
<u>DEBT SERVICE FUND</u>		
TexPool	1,947,567	1,947,567
Certificates of Deposit	1,603,055	1,603,055
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 16,034,183</u></b>	<b><u>\$ 16,034,183</u></b>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2017, the District's investments in TexPool and TexSTAR were rated AAAM by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit covered by FDIC insurance and pledged collateral.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers its investments in TexPool and TexSTAR to have maturities of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District unless there have been significant changes in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

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

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 6. CAPITAL ASSETS**

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

	January 1, 2017	Increases	Decreases	December 31, 2017
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 10,349,652	\$ 706,803	\$	\$ 11,056,455
Construction in Progress	<u>861,442</u>	<u>4,592,450</u>	<u>4,890,038</u>	<u>563,854</u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 11,211,094</u>	<u>\$ 5,299,253</u>	<u>\$ 4,890,038</u>	<u>\$ 11,620,309</u>
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 22,592,578	\$ 1,053,552	\$	\$ 23,646,130
Wastewater System	34,734,537	297,637		35,032,174
Drainage System	<u>25,816,393</u>	<u>2,832,047</u>	<u>2,069,789</u>	<u>26,578,651</u>
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 83,143,508</u>	<u>\$ 4,183,236</u>	<u>\$ 2,069,789</u>	<u>\$ 85,256,955</u>
<b>Less Accumulated Depreciation</b>				
Water System	\$ 6,717,728	\$ 626,609	\$	\$ 7,344,337
Wastewater System	8,922,525	918,916		9,841,441
Drainage System	<u>5,038,281</u>	<u>569,279</u>	<u>373,419</u>	<u>5,234,141</u>
<b>Total Accumulated Depreciation</b>	<u>\$ 20,678,534</u>	<u>\$ 2,114,804</u>	<u>\$ 373,419</u>	<u>\$ 22,419,919</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 62,464,974</u>	<u>\$ 2,068,432</u>	<u>\$ 1,696,370</u>	<u>\$ 62,837,036</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 73,676,068</u>	<u>\$ 7,367,685</u>	<u>\$ 6,586,408</u>	<u>\$ 74,457,345</u>

**NOTE 7. MAINTENANCE TAX**

At an election held on August 14, 1976, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended December 31, 2017, the District levied an ad valorem maintenance tax rate of \$0.19 per \$100 of assessed valuation, which resulted in a tax levy of \$2,732,795 on the adjusted taxable valuation of \$1,437,723,786 for the 2017 tax year. Taxes collected from the 2017 tax levy have been fully deferred to the 2018 fiscal year.

**NOTE 8. INTERFUND RECEIVABLES AND PAYABLES**

As of December 31, 2017, the Debt Service Fund owed the General Fund \$212,503 for maintenance tax collections.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 9. INTERIM AND EMERGENCY WATER SUPPLY AGREEMENTS**

On March 8, 1999, the District approved an Emergency Water Supply Agreement with Bilma Public Utility District. On August 20, 2013, the District approved the Amended and Restated Emergency Water Supply Agreement. Under the terms of the agreement, the district supplying water will bill the receiving district at a rate of \$1.50 per 1,000 gallons of water usage plus the applicable North Harris County Regional Water Authority fee for surface water consumption. If the supplying district is buying the supplied water from any adjoining district, the receiving district will pay for water at a rate per 1,000 gallons equal to the rate paid by the supplying district for such water if such rate is greater than the rate stated above.

On May 1, 2007, the District approved an Emergency Water Supply Contract with District No. 30. Under the terms of the agreement, the district supplying water can either: (1) be repaid in kind, or (2) bill the receiving district at a rate of \$1.50 per 1,000 gallons of water usage or, if the supplying district is buying the supplied water from any adjoining district, bill the receiving district at the rate it is paying for the water. In addition, if the supplying district has converted to use of surface water, the billed cost will be the price per 1,000 gallons the supplying district is paying for surface water. The term of the agreement is for a period of 20 years from the date of execution, unless terminated pursuant to the provisions of the agreement or pursuant to mutual written consent of the districts.

On December 18, 2008, the District approved an Emergency Water Supply Contract with Northwest Harris County Municipal Utility District No. 32 (District No. 32). Under the terms of the agreement, the district supplying water can either: (1) be repaid in kind, or (2) bill the receiving district at a rate of \$1.50 per 1,000 gallons of water usage as reflected by the interconnect meter, or such other rate that the districts may agree upon in writing from time-to-time. In addition, if the supplying district has converted to use of surface water, the billed cost will be the actual cost per 1,000 gallons to the supplying district to purchase surface water, or the above rate may be increased by the amount of the fee per 1,000 gallons imposed by the North Harris County Regional Water Authority. The term of the agreement is for a period of 20 years from the date of execution, unless terminated pursuant to the provisions of the agreement or pursuant to mutual written consent of the districts.

**NOTE 10. WATER SUPPLY AND WASTEWATER TREATMENT SERVICE AGREEMENTS**

**NORTHWOODS EDUCATION FOUNDATION**

On March 12, 2001, the District entered into a Water Supply and Wastewater Treatment Service Agreement with Northwoods Educational Foundation (Northwoods) in which Northwoods paid the District \$190,750 comprised of payments of \$72,000 for 32,000 gallons per day (gpd) of capacity in the District's water plant and \$118,750 for 25,000 gpd of capacity in the District's wastewater treatment plant. Northwoods constructed a waterline and wastewater collection facility and provided the District a site for a lift station. Upon completion of construction, Northwoods conveyed the portion of such facilities located between the point of connection to

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 10. WATER SUPPLY AND WASTEWATER TREATMENT SERVICE AGREEMENTS**

NORTHWOODS EDUCATION FOUNDATION (Continued)

the District's system to the location of the metering equipment to the District. The District is responsible for maintenance of said facilities. The water and wastewater rates charged to Northwoods shall not exceed the rates charged to commercial customers in the District's rate order. The term of this agreement is 40 years.

KLEIN UNITED METHODIST CHURCH

On May 17, 2005, the District entered into a Water Supply and Wastewater Treatment Service Agreement with Klein United Methodist Church (KUMC). KUMC constructed, at its sole cost, the water line extension and wastewater connection necessary to provide an amount of water not to exceed 3,300 gallons per day (gpd) of capacity in the District's water treatment facilities and the wastewater treatment plant not to exceed 2,800 gpd of capacity. KUMC paid the District a total of \$15,067 for its share of capacity comprised of \$7,227 for capacity in the District's water plant and \$7,840 for capacity in the District's wastewater treatment plant in accordance with this agreement. The District, at its sole cost, owns, operates and maintains the lines located between the point of connection to the District's system. The water and wastewater rates charged to KUMC will not exceed the rates charged to in-district commercial customers for similar services. The term of this agreement is 40 years.

KLEIN INDEPENDENT SCHOOL DISTRICT

On November 15, 2005, the District entered into a Water Supply and Wastewater Treatment Service Agreement with Klein Independent School District (Klein) in which the District constructed, at Klein's sole cost, the water line and wastewater collection line necessary to provide an amount of water not to exceed 40,000 gallons per day (gpd) of capacity in the District's water treatment facilities and the wastewater treatment plant not to exceed 30,000 gpd of capacity. Klein paid the District \$87,600 for capacity in the District's water plant and \$84,000 for capacity in the District's wastewater treatment plant. Klein received credits toward the costs of capacity in the amounts of \$54,000 for a 2.4-acre future water plant site and \$5,600 for a 10-foot waterline easement. Thus, the total payment by Klein for its capacity was \$112,000. The District owns, operates and maintains the lines located between the point of connection to the District's system. The water and wastewater rates charged to Klein will not exceed the rates charged to out-of-district commercial for similar services. The term of this agreement is 40 years.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 11. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**

The District is located within the boundaries of the North Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the “Act”), as passed by the 75<sup>th</sup> Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority is overseeing that its participants comply with the Harris-Galveston Subsidence District pumpage requirements.

The Authority charges a fee, based on the amount of water pumped from a well, to the owners of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current fee charged is \$2.90 per 1,000 gallons of water pumped from each well. The District recorded expenditures of \$446,542 for fees assessed during the current fiscal year.

On December 19, 2006, the District approved the Groundwater Transfer Agreement-Buyer (the “Agreement”) with the Authority. This Agreement was amended on June 1, 2010. In accordance with the Agreement, the District has elected to participate in the groundwater transfer program of the Authority, under the Regulations for Buy/Sell Agreement for Implementation of the Groundwater Transfer Program adopted by the Authority on September 8, 2003, as amended, and agrees to assume all rights and obligations of a seller. The Authority has agreed to the District electing the buyer status. The District agrees to buy and receive water from the Authority and the Authority agrees to sell and deliver water to the District at the minimum and maximum volumes as set forth in the Agreement.

The current rate for purchased water is \$3.35 per 1,000 gallons of water. The District recorded expenditures of \$1,899,807 for water purchased from the Authority during the current fiscal year.

Chloramine Conversion Reimbursement

The Authority required the District to convert its water systems to chloramine disinfection for as long as it is connected to the Authority’s system. The District has completed its chloramine system. The District’s reimbursable cost of this system was \$449,562. The Authority calculated the reimbursement at 6% interest over a 30-year period. The District began receiving chloramine conversion credits on the December 2010 Authority billing. Total credits earned in the current fiscal year were \$32,660. Of this amount, \$8,107 was a return of principal with the balance being applicable to interest. The following is a schedule of the remaining chloramine conversion credits to be received under the terms of the agreement.



**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 11. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**  
(Continued)

Chloramine Conversion Reimbursement (Continued)

Fiscal Year	Principal
2018	\$ 8,593
2019	9,109
2020	9,655
2021	10,234
2022	10,849
2023-2027	64,823
2028-2032	86,748
2033-2037	116,089
2038-2040	85,018
	\$ 401,118

Elevated Storage Tank Reimbursement

The Authority authorized a capital reimbursement credit to the District in the total amount of \$3,087,533 in connection with the construction of an elevated storage tank. The Authority calculated the reimbursement credit at 6% interest over a 30-year period. The credit amount is applied monthly and the District began receiving the elevated storage tank credits on the September 2010 Authority billing. Total credits earned in the current fiscal year were \$224,306. Of this amount, \$56,507 was a return of principal with the balance being applicable to interest. The following is a schedule of the remaining elevated storage tank credits to be received under the terms of the agreement.

Fiscal Year	Principal
2018	\$ 59,897
2019	63,491
2020	67,300
2021	71,338
2022	75,619
2023-2027	451,846
2028-2032	604,672
2033-2037	809,188
2038-2040	536,794
	\$ 2,740,146

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 12. UNREIMBURSED COSTS**

In accordance with the terms of certain development financing agreements, Developers within the District have made expenditures on behalf of the District for water, sewer and drainage facilities for which the District has not sold bonds. Reimbursements will come from proceeds of future bond sales or surplus General Fund money.

**NOTE 13. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 14. STRATEGIC PARTNERSHIP AGREEMENT**

On March 27, 2007, the District entered into a Strategic Partnership Agreement (“SPA”) with the City of Houston, Texas. The agreement was amended on December 9, 2009, October 19, 2010, and October 18, 2011. Under the agreement, and in accordance with Subchapter F of Chapter 43 of the Local Government Code, the City has annexed a tract of land within the District for limited purposes. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District. The City may not annex the District for full purposes during the term of this agreement. The City imposes a Sales and Use Tax within the boundaries of the District under the SPA on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under future amendments to Chapter 321 of the Tax Code. The City pays to the District one-half of all Sales and Use Tax revenues collected within the District within 30 days of the City receiving the funds from the State Comptroller’s office. The term of this SPA is 30 years from the effective date of April 3, 2007. During the current fiscal year, the District recorded revenues in the amount of \$1,090,368 in relation to this agreement.

**NOTE 15. ESCROW REQUIREMENTS AND USE OF SURPLUS FUNDS**

The District was required by the Commission to escrow \$9,163,195 of its Series 2008 bonds. On October 8, 2008, the Commission approved the release of \$2,507,825 from escrow to fund the costs of the Kuykendahl waterline extension, Upper Seals Gully pipeline adjustment, elevated storage tank land costs and Upper Seals Gully land costs. On April 13, 2009, the Commission approved the release of \$2,712,600 from escrow to fund the elevated storage tank project and the release of and change in scope to reallocate \$2,869,900 from Water Plant No. 3 expansion and Water Plant No. 4 construction to fund the wastewater treatment plant expansion. On August 27, 2009, the Commission approved the release of \$556,600 to fund Rhodes Road waterline extension. On September 8, 2016, the Commission approved the release of \$484,770 to fund costs associated with Spring Stuebner Road waterline extension.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 15. ESCROW REQUIREMENTS AND USE OF SURPLUS FUNDS**  
(Continued)

The balance of \$31,500 will remain in escrow until the Commission provides written authorization to release the funds.

On October 17, 2017, the Board approved the use of \$324,286 in surplus operations and maintenance tax revenue to reimburse Developers for construction, engineering and related costs for water and sanitary sewer line extensions along FM 2920. In accordance with this approval, the District used \$324,286 in surplus operations and maintenance tax revenue to fund these costs.

On July 18, 2017, the Board approved the application to the Commission for approval of change in scope and use of surplus funds for the purchase of property for a proposed District Administration building. The application was filed by the District on February 27, 2018 and is still pending as of report date.

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**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2017**



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

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 2,535,735	\$ 2,600,801	\$ 65,066
Water Service	1,550,000	1,485,176	(64,824)
Wastewater Service	1,160,000	1,270,797	110,797
Solid Waste Disposal	995,000	1,038,484	43,484
Water Authority Fees	1,780,000	2,045,655	265,655
Penalty and Interest	90,000	83,715	(6,285)
Tap Connection and Inspection Fees	255,000	674,531	419,531
Water Authority Credits	256,966	256,966	
Sales Tax Revenue	1,035,000	1,090,368	55,368
Miscellaneous Revenues	456,007	198,302	(257,705)
<b>TOTAL REVENUES</b>	<u>\$ 10,113,708</u>	<u>\$ 10,744,795</u>	<u>\$ 631,087</u>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 636,000	\$ 507,651	\$ 128,349
Contracted Services	2,135,000	2,146,134	(11,134)
Purchased Water/Pumpage Fees	2,225,000	2,346,349	(121,349)
Utilities	310,000	316,188	(6,188)
Other	1,181,130	1,164,987	16,143
Capital Outlay/Repairs and Maintenance	4,995,000	3,591,033	1,403,967
<b>TOTAL EXPENDITURES</b>	<u>\$ 11,482,130</u>	<u>\$ 10,072,342</u>	<u>\$ 1,409,788</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (1,368,422)</u>	<u>\$ 672,453</u>	<u>\$ 2,040,875</u>
<b>FUND BALANCE - JANUARY 1, 2017</b>	<u>13,047,833</u>	<u>13,047,833</u>	
<b>FUND BALANCE - DECEMBER 31, 2017</b>	<u>\$ 11,679,411</u>	<u>\$ 13,720,286</u>	<u>\$ 2,040,875</u>

See accompanying independent auditor's report.

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**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**  
**DECEMBER 31, 2017**



**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

**2. RETAIL SERVICE PROVIDERS**

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

Based on the rate order approved June 20, 2017.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 8.00	3,000	N	\$ 1.30 1.70 1.75 2.00	3,001 to 10,000 10,001 to 20,000 20,001 to 30,000 30,001 and up
WASTEWATER:	\$ 13.31		Y		
SURCHARGE:					
Solid Waste/ Garbage	\$ 16.08		Y		
Regional Water Authority Fees	\$ 3.10 per 1,000 gallons of water usage				

District employs winter averaging for wastewater usage? 
         X    
 Yes                      No

Total monthly charges per 10,000 gallons usage: Water: \$17.10 Wastewater: \$13.31 Surcharge: \$47.07

See accompanying independent auditor's report.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	<u>2</u>	<u>2</u>	x 1.0	<u>2</u>
≤ <sup>3</sup> / <sub>4</sub> "	<u>5,878</u>	<u>5,841</u>	x 1.0	<u>5,841</u>
1"	<u>146</u>	<u>144</u>	x 2.5	<u>360</u>
1½"	<u>54</u>	<u>52</u>	x 5.0	<u>260</u>
2"	<u>157</u>	<u>154</u>	x 8.0	<u>1,232</u>
3"	<u>2</u>	<u>1</u>	x 15.0	<u>15</u>
4"	<u>2</u>	<u>2</u>	x 25.0	<u>50</u>
6"	<u>3</u>	<u>3</u>	x 50.0	<u>150</u>
8"	<u>5</u>	<u>5</u>	x 80.0	<u>400</u>
10"	<u>          </u>	<u>          </u>	x 115.0	<u>          </u>
Total Water Connections	<u><u>6,249</u></u>	<u><u>6,204</u></u>		<u><u>8,310</u></u>
Total Wastewater Connections	<u><u>6,060</u></u>	<u><u>6,015</u></u>	x 1.0	<u><u>6,015</u></u>

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

Gallons pumped into system: 156,456,000      Water Accountability Ratio: 90.1%  
 (Gallons billed/Gallons pumped and purchased)

Gallons billed to customers: 680,661,000

Gallons purchased: 599,255,000      From: North Harris County Regional Water Authority

See accompanying independent auditor's report.



**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

PROFESSIONAL FEES:	
Auditing	\$ 24,400
Engineering	275,560
Legal	206,791
Financial Advisor	<u>900</u>
TOTAL PROFESSIONAL FEES	<u>\$ 507,651</u>
PURCHASED WATER SERVICE	<u>\$ 1,899,807</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 55,875
Operations and Billing	<u>287,363</u>
TOTAL CONTRACTED SERVICES	<u>\$ 343,238</u>
UTILITIES	<u>\$ 316,188</u>
REPAIRS AND MAINTENANCE	<u>\$ 1,113,633</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 33,450
Insurance	52,246
Office Supplies and Postage	122,870
Payroll Administration	510
Economic Development	200,835
Other	<u>73,520</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 483,431</u>
CAPITAL OUTLAY	<u>\$ 3,074,325</u>
TAP CONNECTIONS	<u>\$ 187,960</u>
SOLID WASTE DISPOSAL	<u>\$ 1,029,505</u>
SECURITY	<u>\$ 773,391</u>
OTHER EXPENDITURES:	
Chemicals	\$ 261,652
Laboratory Fees	106,346
Permit Fees	31,008
Reconnection Fees	49,540
Inspection Fees	7,605
Water Authority Assessments	446,542
Regulatory Assessment	13,135
Sludge Hauling	<u>24,310</u>
TOTAL OTHER EXPENDITURES	<u>\$ 940,138</u>
TOTAL EXPENDITURES	<u>\$ 10,669,267</u>

See accompanying independent auditor's report.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**INVESTMENTS**  
**DECEMBER 31, 2017**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 5,561,593	\$
TexSTAR	XXXX2000	Varies	Daily	5,060,998	
Certificate of Deposit	XXXX0574	1.35%	09/08/18	103,649	437
Certificate of Deposit	XXXX8058	0.50%	02/11/18	245,000	1,084
Certificate of Deposit	XXXXX334	1.30%	11/23/18	243,014	329
Certificate of Deposit	XXXX7739	0.90%	04/30/18	134,967	815
Certificate of Deposit	XXXX5320	1.10%	10/25/18	134,340	271
Certificate of Deposit	XXXX3748	1.27%	07/13/18	<u>1,000,000</u>	<u>5,950</u>
TOTAL GENERAL FUND				<u>\$ 12,483,561</u>	<u>\$ 8,886</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 1,947,567	\$
Certificate of Deposit	XXXX4223	1.00%	06/26/18	244,232	1,258
Certificate of Deposit	XXXX0402	1.00%	03/22/18	240,000	1,868
Certificate of Deposit	XXXX2938	1.00%	09/04/18	246,465	797
Certificate of Deposit	XXXX1501	1.10%	09/03/18	246,225	883
Certificate of Deposit	XXXX5483	1.10%	08/15/18	143,355	596
Certificate of Deposit	XXXX3577	1.52%	09/20/18	240,000	1,019
Certificate of Deposit	XXXX0407	1.25%	04/18/18	<u>242,778</u>	<u>615</u>
TOTAL DEBT SERVICE FUND				<u>\$ 3,550,622</u>	<u>\$ 7,036</u>
TOTAL - ALL FUNDS				<u>\$ 16,034,183</u>	<u>\$ 15,922</u>

See accompanying independent auditor's report.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JANUARY 1, 2017	\$ 1,839,004		\$ 3,487,322	
Adjustments to Beginning				
Balance	<u>(6,267)</u>	\$ 1,832,737	<u>(11,851)</u>	\$ 3,475,471
Original 2017 Tax Levy	\$ 2,687,385		\$ 4,667,563	
Adjustment to 2017 Tax Levy	<u>45,410</u>	<u>2,732,795</u>	<u>78,870</u>	<u>4,746,433</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 4,565,532		\$ 8,221,904
TAX COLLECTIONS:				
Prior Years	\$ 1,797,839		\$ 3,406,830	
Current Year	<u>504,938</u>	<u>2,302,777</u>	<u>876,998</u>	<u>4,283,828</u>
TAXES RECEIVABLE -				
DECEMBER 31, 2017		<u>\$ 2,262,755</u>		<u>\$ 3,938,076</u>
TAXES RECEIVABLE BY				
YEAR:				
2017		\$ 2,227,857		\$ 3,869,435
2016		10,675		20,226
2015		7,922		15,843
2014		5,926		11,820
2013		7,601		15,202
2012		1,453		2,906
2011		539		1,078
2010		371		743
2009 and Prior		<u>411</u>		<u>823</u>
TOTAL		<u>\$ 2,262,755</u>		<u>\$ 3,938,076</u>

See accompanying independent auditor's report.



**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 382,593,832	\$ 349,046,290	\$ 309,207,760	\$ 312,374,523
Improvements	1,140,352,607	1,094,020,648	961,534,336	797,471,421
Personal Property	55,547,524	65,610,529	58,799,797	54,625,551
Exemptions	<u>(140,770,177)</u>	<u>(129,654,703)</u>	<u>(114,285,467)</u>	<u>(103,153,072)</u>
<b>TOTAL PROPERTY VALUATIONS</b>	<u><u>\$ 1,437,723,786</u></u>	<u><u>\$ 1,379,022,764</u></u>	<u><u>\$ 1,215,256,426</u></u>	<u><u>\$ 1,061,318,423</u></u>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.33	\$ 0.36	\$ 0.40	\$ 0.4729
Maintenance	<u>0.19</u>	<u>0.19</u>	<u>0.20</u>	<u>0.2371</u>
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<u><u>\$ 0.52</u></u>	<u><u>\$ 0.55</u></u>	<u><u>\$ 0.60</u></u>	<u><u>\$ 0.7100</u></u>
<b>ADJUSTED TAX LEVY*</b>	<u><u>\$ 7,479,228</u></u>	<u><u>\$ 7,566,832</u></u>	<u><u>\$ 7,293,872</u></u>	<u><u>\$ 7,536,090</u></u>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<u>18.48 %</u>	<u>99.59 %</u>	<u>99.67 %</u>	<u>99.76 %</u>

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

Maintenance Tax – Maximum tax rate of \$0.25 per \$100 of assessed valuation approved by voters on August 14, 1976.

See accompanying independent auditor's report.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2017**

S E R I E S - 2 0 0 7				
Due During Fiscal Years Ending December 31	Principal Due May 1	Interest Due May 1/ November 1	Total	
2018	\$ 255,000	\$ 5,259	\$	260,259
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
	\$ 255,000	\$ 5,259	\$	260,259

See accompanying independent auditor's report.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2017**

S E R I E S - 2 0 0 8			
Due During Fiscal Years Ending December 31	Principal Due November 1	Interest Due May 1/ November 1	Total
2018	\$ 485,000	\$ 72,482	\$ 557,482
2019	515,000	48,232	563,232
2020	545,000	22,482	567,482
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
	\$ 1,545,000	\$ 143,196	\$ 1,688,196

See accompanying independent auditor's report.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2017**

S E R I E S - 2 0 0 9 - A				
Due During Fiscal Years Ending December 31	Principal Due November 1	Interest Due May 1/ November 1	Total	
2018	\$ 250,000	\$ 44,550	\$	294,550
2019	260,000	30,800		290,800
2020	300,000	16,500		316,500
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
	\$ 810,000	\$ 91,850	\$	901,850

See accompanying independent auditor's report.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2017**

S E R I E S - 2 0 0 9 - B

Due During Fiscal Years Ending December 31	Principal Due November 1	Interest Due May 1/ November 1	Total
2018	\$ 200,000	\$ 717,866	\$ 917,866
2019	200,000	706,866	906,866
2020	250,000	696,366	946,366
2021	300,000	683,241	983,241
2022	325,000	671,242	996,242
2023	375,000	658,241	1,033,241
2024	400,000	643,241	1,043,241
2025	425,000	626,642	1,051,642
2026	445,000	608,579	1,053,579
2027	475,000	589,221	1,064,221
2028	570,000	568,440	1,138,440
2029	1,060,000	542,790	1,602,790
2030	1,150,000	493,500	1,643,500
2031	1,175,000	438,875	1,613,875
2032	1,150,000	383,063	1,533,063
2033	1,125,000	328,438	1,453,438
2034	1,600,000	275,000	1,875,000
2035	1,550,000	195,000	1,745,000
2036	2,350,000	117,500	2,467,500
2037			
2038			
2039			
2040			
2041			
	<u>\$ 15,125,000</u>	<u>\$ 9,944,111</u>	<u>\$ 25,069,111</u>

See accompanying independent auditor's report.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2017**

SERIES - 2010 REFUNDING

Due During Fiscal Years Ending December 31	Principal Due November 1	Interest Due May 1/ November 1	Total
2018	\$ 465,000	\$ 66,000	\$ 531,000
2019	480,000	47,400	527,400
2020	705,000	28,200	733,200
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
	<u>\$ 1,650,000</u>	<u>\$ 141,600</u>	<u>\$ 1,791,600</u>

See accompanying independent auditor's report.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2017**

S E R I E S - 2 0 1 1			
Due During Fiscal Years Ending December 31	Principal Due November 1	Interest Due May 1/ November 1	Total
2018	\$ 75,000	\$ 292,100	\$ 367,100
2019	100,000	289,850	389,850
2020	100,000	286,850	386,850
2021	100,000	283,850	383,850
2022	150,000	280,600	430,600
2023	150,000	273,100	423,100
2024	150,000	265,600	415,600
2025	150,000	258,100	408,100
2026	150,000	250,600	400,600
2027	200,000	243,100	443,100
2028	200,000	233,100	433,100
2029	200,000	225,100	425,100
2030	250,000	216,850	466,850
2031	300,000	206,225	506,225
2032	300,000	193,100	493,100
2033	350,000	179,600	529,600
2034	400,000	163,150	563,150
2035	400,000	144,350	544,350
2036	650,000	125,550	775,550
2037	1,000,000	95,000	1,095,000
2038	1,000,000	47,500	1,047,500
2039			
2040			
2041			
	\$ 6,375,000	\$ 4,553,275	\$ 10,928,275

See accompanying independent auditor's report.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2017**

SERIES - 2012 REFUNDING

Due During Fiscal Years Ending December 31	Principal Due May 1	Interest Due May 1/ November 1	Total
2018	\$ 495,000	\$ 175,913	\$ 670,913
2019	500,000	163,475	663,475
2020	160,000	154,825	314,825
2021	505,000	144,849	649,849
2022	495,000	128,613	623,613
2023	490,000	111,375	601,375
2024	485,000	93,100	578,100
2025	480,000	73,800	553,800
2026	475,000	54,700	529,700
2027	520,000	34,800	554,800
2028	610,000	12,200	622,200
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
	<u>\$ 5,215,000</u>	<u>\$ 1,147,650</u>	<u>\$ 6,362,650</u>

See accompanying independent auditor's report.



**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2017**

S E R I E S - 2 0 1 4				
Due During Fiscal Years Ending December 31	Principal Due May 1	Interest Due May 1/ November 1	Total	
2018	\$ 90,000	\$ 135,437	\$	225,437
2019	95,000	133,588		228,588
2020	100,000	131,637		231,637
2021	105,000	129,325		234,325
2022	110,000	126,637		236,637
2023	115,000	123,537		238,537
2024	120,000	120,012		240,012
2025	125,000	116,337		241,337
2026	130,000	112,512		242,512
2027	135,000	108,453		243,453
2028	145,000	104,078		249,078
2029	150,000	99,281		249,281
2030	160,000	94,050		254,050
2031	165,000	88,463		253,463
2032	175,000	82,513		257,513
2033	185,000	76,097		261,097
2034	195,000	69,210		264,210
2035	205,000	61,703		266,703
2036	215,000	53,566		268,566
2037	225,000	44,900		269,900
2038	235,000	35,700		270,700
2039	245,000	26,100		271,100
2040	260,000	16,000		276,000
2041	270,000	5,400		275,400
	\$ 3,955,000	\$ 2,094,536	\$	6,049,536

See accompanying independent auditor's report.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2017**

S E R I E S - 2 0 1 5			
Due During Fiscal Years Ending December 31	Principal Due May 1	Interest Due May 1/ November 1	Total
2018	\$	\$ 205,550	\$ 205,550
2019		205,550	205,550
2020		205,550	205,550
2021	200,000	201,550	401,550
2022	225,000	193,050	418,050
2023	225,000	186,159	411,159
2024	225,000	181,237	406,237
2025	225,000	176,034	401,034
2026	250,000	170,238	420,238
2027	250,000	163,675	413,675
2028	250,000	156,488	406,488
2029	275,000	148,612	423,612
2030	275,000	140,363	415,363
2031	300,000	131,550	431,550
2032	300,000	122,176	422,176
2033	325,000	112,206	437,206
2034	325,000	101,644	426,644
2035	350,000	90,456	440,456
2036	350,000	78,644	428,644
2037	375,000	66,409	441,409
2038	400,000	53,082	453,082
2039	400,000	39,081	439,081
2040	425,000	24,378	449,378
2041	460,000	8,337	468,337
	\$ 6,410,000	\$ 3,162,019	\$ 9,572,019

See accompanying independent auditor's report.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2017**

SERIES - 2016 REFUNDING

Due During Fiscal Years Ending December 31	Principal Due May 1	Interest Due May 1/ November 1	Total
2018	\$ 350,000	\$ 950,363	\$ 1,300,363
2019	625,000	940,613	1,565,613
2020	650,000	921,363	1,571,363
2021	1,600,000	876,363	2,476,363
2022	1,690,000	810,562	2,500,562
2023	1,790,000	758,862	2,548,862
2024	1,875,000	722,212	2,597,212
2025	1,955,000	683,912	2,638,912
2026	2,040,000	641,412	2,681,412
2027	2,120,000	591,962	2,711,962
2028	2,195,000	538,025	2,733,025
2029	2,330,000	481,463	2,811,463
2030	2,425,000	418,994	2,843,994
2031	2,520,000	351,000	2,871,000
2032	2,595,000	277,425	2,872,425
2033	2,670,000	198,450	2,868,450
2034	2,085,000	127,125	2,212,125
2035	2,160,000	63,450	2,223,450
2036	1,035,000	15,525	1,050,525
2037			
2038			
2039			
2040			
2041			
	<u>\$ 34,710,000</u>	<u>\$ 10,369,081</u>	<u>\$ 45,079,081</u>

See accompanying independent auditor's report.

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**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2017**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2018	\$ 2,665,000	\$ 2,665,520	\$ 5,330,520
2019	2,775,000	2,566,374	5,341,374
2020	2,810,000	2,463,773	5,273,773
2021	2,810,000	2,319,178	5,129,178
2022	2,995,000	2,210,704	5,205,704
2023	3,145,000	2,111,274	5,256,274
2024	3,255,000	2,025,402	5,280,402
2025	3,360,000	1,934,825	5,294,825
2026	3,490,000	1,838,041	5,328,041
2027	3,700,000	1,731,211	5,431,211
2028	3,970,000	1,612,331	5,582,331
2029	4,015,000	1,497,246	5,512,246
2030	4,260,000	1,363,757	5,623,757
2031	4,460,000	1,216,113	5,676,113
2032	4,520,000	1,058,277	5,578,277
2033	4,655,000	894,791	5,549,791
2034	4,605,000	736,129	5,341,129
2035	4,665,000	554,959	5,219,959
2036	4,600,000	390,785	4,990,785
2037	1,600,000	206,309	1,806,309
2038	1,635,000	136,282	1,771,282
2039	645,000	65,181	710,181
2040	685,000	40,378	725,378
2041	730,000	13,737	743,737
	<u>\$ 76,050,000</u>	<u>\$ 31,652,577</u>	<u>\$ 107,702,577</u>

See accompanying independent auditor's report.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

Description	Original Bonds Issued	Bonds Outstanding January 1, 2017
Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2007	\$ 8,100,000	\$ 495,000
Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2008	17,015,000	2,000,000
Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2009-A	12,545,000	1,035,000
Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2009-B	15,800,000	15,300,000
Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2010	4,360,000	2,090,000
Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2011	6,470,000	6,425,000
Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2012	7,340,000	5,700,000
Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2014	4,040,000	4,040,000
Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2015	6,410,000	6,410,000
Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2016	35,055,000	35,055,000
<b>TOTAL</b>	<b><u>\$ 117,135,000</u></b>	<b><u>\$ 78,550,000</u></b>

For interest rates, interest payment dates and maturity dates, see Note 3.

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding December 31, 2017	Paying Agent
	Principal	Interest		
\$	\$ 240,000	\$ 17,867	\$ 255,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	455,000	95,231	1,545,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	225,000	56,926	810,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	175,000	727,491	15,125,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	440,000	83,600	1,650,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	50,000	293,600	6,375,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	485,000	186,950	5,215,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	85,000	137,188	3,955,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		205,550	6,410,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	<u>345,000</u>	<u>957,313</u>	<u>34,710,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 2,500,000</u>	<u>\$ 2,761,716</u>	<u>\$ 76,050,000</u>	

See accompanying independent auditor's report.

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**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Unlimited Tax and Revenue Bonds*</u>
Bond Authority:	
Amount Authorized by Voters	\$ 115,412,000
Amount Issued	<u>102,303,332</u>
Remaining to be Issued	<u>\$ 13,108,668</u>
Debt Service Fund cash and investment balances as of December 31, 2017:	<u>\$ 4,130,301</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 4,487,607</u>

\* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes. Refunding bonds authorization is included in this total.

See accompanying independent auditor's report.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amounts		
	2017	2016	2015
<b>REVENUES</b>			
Property Taxes	\$ 2,600,801	\$ 2,494,947	\$ 2,505,277
Water Service	1,485,176	1,428,028	1,364,497
Wastewater Service	1,270,797	1,233,552	1,184,558
Solid Waste Disposal	1,038,484	1,017,705	993,705
Water Authority Fees	2,045,655	1,740,622	1,542,157
Penalty and Interest	83,715	85,749	82,554
Tap Connection and Inspection Fees	674,531	389,341	305,213
Water Authority Credits	256,966	256,966	256,966
Sales Tax Revenues	1,090,368	1,054,955	958,547
Miscellaneous Revenues	198,302	127,996	213,620
<b>TOTAL REVENUES</b>	<b>\$ 10,744,795</b>	<b>\$ 9,829,861</b>	<b>\$ 9,407,094</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 507,651	\$ 425,963	\$ 354,372
Contracted Services	2,146,134	2,102,062	2,018,123
Purchased Water Service	1,899,807	1,718,606	1,389,194
Utilities	316,188	306,410	313,967
Water Authority Assessments	446,542	259,358	246,212
Repairs and Maintenance	1,113,633	1,251,920	1,798,150
Other	1,164,987	1,026,291	1,167,493
Capital Outlay	3,074,325	2,164,422	3,696,125
<b>TOTAL EXPENDITURES</b>	<b>\$ 10,669,267</b>	<b>\$ 9,255,032</b>	<b>\$ 10,983,636</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 75,528</b>	<b>\$ 574,829</b>	<b>\$ (1,576,542)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In(Out)	\$	\$	\$ 6,037
Developer Contributions	596,925	375,468	256,744
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 596,925</b>	<b>\$ 375,468</b>	<b>\$ 262,781</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 672,453</b>	<b>\$ 950,297</b>	<b>\$ (1,313,761)</b>
<b>BEGINNING FUND BALANCE</b>	<b>13,047,833</b>	<b>12,097,536</b>	<b>13,411,297</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 13,720,286</b>	<b>\$ 13,047,833</b>	<b>\$ 12,097,536</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2014	2013	2017	2016	2015	2014	2013
\$ 2,253,269	\$ 2,102,099	24.3 %	25.4 %	26.6 %	24.8 %	24.1 %
1,267,962	1,273,419	13.8	14.5	14.5	13.9	14.8
1,114,557	1,060,289	11.8	12.5	12.6	12.3	12.1
962,997	941,795	9.7	10.4	10.6	10.6	10.8
1,438,151	1,409,074	19.0	17.7	16.4	15.8	16.1
81,814	89,336	0.8	0.9	0.9	0.9	1.0
674,533	534,099	6.3	4.0	3.2	7.4	6.1
256,966	256,966	2.4	2.6	2.7	2.8	2.9
904,680	849,949	10.1	10.7	10.2	9.9	9.7
143,116	212,872	1.8	1.3	2.3	1.6	2.4
<u>\$ 9,098,045</u>	<u>\$ 8,729,898</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 335,455	\$ 390,906	4.7 %	4.3 %	3.8 %	3.7 %	4.5 %
1,775,544	1,769,007	20.0	21.4	21.5	19.5	20.3
1,261,503	1,181,903	17.7	17.5	14.8	13.9	13.5
287,561	290,272	2.9	3.1	3.3	3.2	3.3
259,816	256,267	4.2	2.6	2.6	2.9	2.9
952,894	706,543	10.4	12.7	19.1	10.5	8.1
1,098,768	905,061	10.8	10.4	12.4	12.1	10.4
<u>1,326,042</u>	<u>2,485,492</u>	<u>28.6</u>	<u>22.0</u>	<u>39.3</u>	<u>14.6</u>	<u>28.5</u>
<u>\$ 7,297,583</u>	<u>\$ 7,985,451</u>	<u>99.3 %</u>	<u>94.0 %</u>	<u>116.8 %</u>	<u>80.4 %</u>	<u>91.5 %</u>
<u>\$ 1,800,462</u>	<u>\$ 744,447</u>	<u>0.7 %</u>	<u>6.0 %</u>	<u>(16.8) %</u>	<u>19.6 %</u>	<u>8.5 %</u>
\$ 42,298	\$					
<u>\$ 42,298</u>	<u>\$ - 0 -</u>					
\$ 1,842,760	\$ 744,447					
<u>11,568,537</u>	<u>10,824,090</u>					
<u>\$ 13,411,297</u>	<u>\$ 11,568,537</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2017	2016	2015
<b>REVENUES</b>			
Property Taxes	\$ 4,928,234	\$ 4,976,292	\$ 5,010,553
Penalty and Interest	67,051	85,941	67,569
Miscellaneous Revenues	50,644	43,586	19,903
<b>TOTAL REVENUES</b>	<b>\$ 5,045,929</b>	<b>\$ 5,105,819</b>	<b>\$ 5,098,025</b>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 176,679	\$ 184,888	\$ 177,730
Debt Service Principal	2,500,000	1,930,000	1,740,000
Debt Service Interest and Fees	2,768,966	3,109,566	3,273,791
Bond Issuance Costs		1,061,821	
Payment to Refunding Escrow Agent		108,000	
<b>TOTAL EXPENDITURES</b>	<b>\$ 5,445,645</b>	<b>\$ 6,394,275</b>	<b>\$ 5,191,521</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (399,716)</b>	<b>\$ (1,288,456)</b>	<b>\$ (93,496)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to Refunding Escrow Agent	\$	\$ (33,913,031)	\$
Proceeds from Issuance of Long-Term Debt		35,055,000	
Bond Discount		(76,798)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ - 0 -</b>	<b>\$ 1,065,171</b>	<b>\$ - 0 -</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (399,716)</b>	<b>\$ (223,285)</b>	<b>\$ (93,496)</b>
<b>BEGINNING FUND BALANCE</b>	<b>3,445,893</b>	<b>3,669,178</b>	<b>3,762,674</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 3,046,177</b>	<b>\$ 3,445,893</b>	<b>\$ 3,669,178</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>6,204</b>	<b>6,184</b>	<b>6,150</b>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>6,015</b>	<b>5,991</b>	<b>5,972</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2014	2013	2017	2016	2015	2014	2013
\$ 4,506,642	\$ 4,204,199	97.7 %	97.4 %	98.3 %	98.5 %	98.3 %
49,222	50,736	1.3	1.7	1.3	1.1	1.2
17,806	21,197	1.0	0.9	0.4	0.4	0.5
<u>\$ 4,573,670</u>	<u>\$ 4,276,132</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 165,420	\$ 221,811	3.5 %	3.6 %	3.5 %	3.6 %	5.2 %
1,610,000	1,530,000	49.5	37.8	34.1	35.2	35.8
3,261,770	3,263,231	54.9	60.9	64.2	71.3	76.3
			20.8			
			2.1			
<u>\$ 5,037,190</u>	<u>\$ 5,015,042</u>	<u>107.9 %</u>	<u>125.2 %</u>	<u>101.8 %</u>	<u>110.1 %</u>	<u>117.3 %</u>
<u>\$ (463,520)</u>	<u>\$ (738,910)</u>	<u>(7.9) %</u>	<u>(25.2) %</u>	<u>(1.8) %</u>	<u>(10.1) %</u>	<u>(17.3) %</u>
\$ 46,012	\$					
<u>\$ 46,012</u>	<u>\$ - 0 -</u>					
\$ (417,508)	\$ (738,910)					
<u>4,180,182</u>	<u>4,919,092</u>					
<u>\$ 3,762,674</u>	<u>\$ 4,180,182</u>					
<u>6,022</u>	<u>5,851</u>					
<u>5,869</u>	<u>5,717</u>					

See accompanying independent auditor's report.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**DECEMBER 31, 2017**

District Mailing Address - Bridgestone Municipal Utility District  
c/o Radcliffe Bobbitt Adams Polley PLLC  
2929 Allen Parkway, Suite 3450  
Houston, TX 77019

District Telephone Number - (713) 237-1221

<b>Board Members</b>	Term of Office (Elected or <u>Appointed</u> )	Fees of Office for the year ended <u>December 31, 2017</u>	Expense Reimbursements for the year ended <u>December 31, 2017</u>	<u>Title</u>
Jim Marks	05/16 05/20 (Elected)	\$ 7,200	\$ 294	President
Adrian E. Steffes	05/14 05/18 (Elected)	\$ 7,050	\$ 999	Vice President
Skip Warren	05/14 05/18 (Elected)	\$ 6,750	\$ 2,313	Secretary
Ron W. Schkade	05/16 05/20 (Elected)	\$ 5,850	\$ 1,992	Assistant Secretary
Mickey Draper	05/16 05/20 (Elected)	\$ 5,550	\$ 1,093	Director

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

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):  
June 27, 2017.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on July 14, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year. One director was overpaid due to an accounting error. The director will forego fees in the next year to repay the overpaid amount.

See accompanying independent auditor's report.

**BRIDGESTONE MUNICIPAL UTILITY DISTRICT**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**DECEMBER 31, 2017**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2017</u>	<u>Title</u>
Radcliffe Bobbitt Adams Polley PLLC	05/14/01	\$ 296,895	General Counsel
McCall Gibson Swedlund Barfoot PLLC	01/11/99	\$ 24,400 \$ 2,500	Auditor AUP Related
Myrtle Cruz, Inc.	11/16/78	\$ 64,050	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	07/01/96	\$ 23,233	Delinquent Tax Attorney
Jones & Carter, Inc.	04/01/93	\$ 544,719	Engineer
The GMS Group, LLC	10/02/12	\$ 900	Financial Advisor
Mary Jarmon	05/15/07	\$ -0-	Investment Officer
Water District Management Company, Inc.	05/05/09	\$ 1,193,372	Operator
Kenneth Byrd, RTA	07/28/77	\$ 88,402	Tax Assessor/ Collector
Harris County	01/01/04	\$ 773,391	Law Enforcement

See accompanying independent auditor's report.

