

**ROSE HILL SPECIAL UTILITY DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED DECEMBER 31, 2017**

RUTHERFORD, TAYLOR & COMPANY, P.C.  
*Certified Public Accountants*  
2802 Washington Street  
Greenville, Texas 75401  
(903) 455-6252

**ROSE HILL SPECIAL UTILITY DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2017**

**TABLE OF CONTENTS**

	<u>Page</u>	<u>Exhibits</u>
<b>INTRODUCTORY SECTION</b>		
Annual Filing Affidavit.....	3	
<b>FINANCIAL SECTION</b>		
<u>Independent Auditor's Reports:</u>		
Report on Basic Financial Statements Accompanied by Required Supplementary Information, Supplementary Information, and Other Information .....	5	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	7	
Schedule of Findings and Questioned Costs .....	9	
Status of Prior Findings and Questioned Costs.....	10	
Corrective Action Plan.....	11	
Management's Discussion and Analysis (Required Supplementary Information) .....	12	
<u>Basic Financial Statements:</u>		
<u>Fund Financial Statements:</u>		
Statement of Fund Net Position – Proprietary Funds .....	17	
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds .....	18	
Statement of Cash Flows – Proprietary Funds.....	19	
Notes to the Financial Statements .....	20	
<u>Other Supplementary Information:</u>		
<b>TEXAS SUPPLEMENTARY INFORMATION (TSI)</b>		
Supplementary Schedules Included Within This Report.....	27	
Independent Auditor's Report on Supplementary Schedules .....	28	
Budgetary Comparison Schedule – Enterprise Fund.....	29	
Services and Rates .....	30	TSI-1
Enterprise Fund Expenditures.....	32	TSI-2
Temporary Investments .....	33	TSI-3
Long-Term Debt Service Requirements by Years .....	34	TSI-5
Comparative Schedule of Revenues and Expenses - Enterprise Fund - Five Years .....	35	TSI-7
Board Members, Key Personnel and Consultants .....	36	TSI-8

ROSE HILL SPECIAL UTILITY DISTRICT

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS

COUNTY OF Kaufman

I, NANCI ESSARY of the  
(Name of Duly Authorized District Representative)

Rose Hill Special Utility District  
(Name of District)

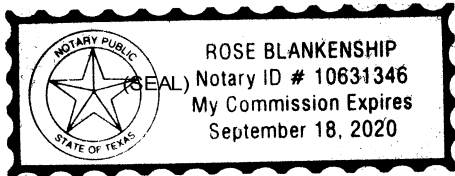
hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the 27 day of MARCH, 2018, its annual audit report for the fiscal period ended December 31, 2017 and that copies of the annual report have been filed in the District's office, located at 1377 CR 274, Terrell, TX 75160  
(Address of the District's Office)

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

Date: 3-28-2018 By: Nanci Essary  
(Signature of District Representative)

NANCI ESSARY, GENERAL MANAGER  
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 28 day of March, 2018.



Rose Blankenship  
(Signature of Notary)

My Commission Expires On: 9-18-2020  
Notary Public of the State of Texas.

FINANCIAL SECTION

**RUTHERFORD,  
TAYLOR &  
COMPANY, P.C.**  
*Certified Public Accountants*

---

2802 Washington Street

Greenville, Texas 75401

(903) 455-6252

Fax (903) 455-6667

---

INDEPENDENT AUDITOR'S REPORT

---

Members of the Board:

We have audited the accompanying financial statements of the business type activities, which are the proprietary funds of the Rose Hill Special Utility District (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 an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities, which are the proprietary funds of the Rose Hill Special Utility District as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Change in Accounting Principle**

As discussed in Note I to the financial statements, the District adopted various accounting pronouncements issued by the Governmental Accounting Standards Board during the year. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The schedules identified as Texas Supplementary Information are presented for the purpose of additional analysis, and are not a required part of the basic financial statements.

The Texas Supplementary 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. Such information 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 Texas Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

March 19, 2018  
Greenville, Texas

*Rutherford, Taylor & Company PC*

RUTHERFORD,  
TAYLOR &  
COMPANY, P.C.  
*Certified Public Accountants*

---

2802 Washington Street

Greenville, Texas 75401

(903) 455-6252

Fax (903) 455-6667

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

---

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities, which are the proprietary funds of the Rose Hill Special Utility District (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, and have issued our report thereon dated March 19, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Report on Internal Control – Continued

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 19, 2018  
Greenville, Texas

*Rutherford, Taylor & Company PC*



ROSE HILL SPECIAL UTILITY DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2017

**Financial Statements Findings (Section I)**

---

NONE

**ROSE HILL SPECIAL UTILITY DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2017**

**Prior Year Findings (Section II)**

---

NONE

ROSE HILL SPECIAL UTILITY DISTRICT  
CORRECTIVE ACTION PLAN  
YEAR ENDED DECEMBER 31, 2017

**Corrective Action Plans (Section III)**

---

NONE

**ROSE HILL SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

This section of Rose Hill Special Utility District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year. Please read it in conjunction with the District's basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

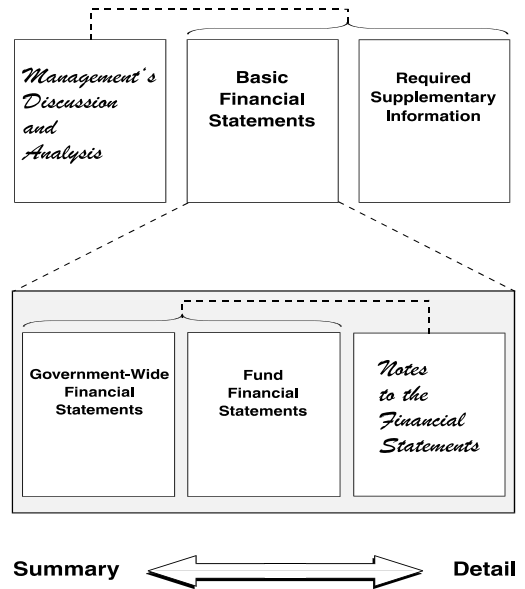
- The District's total net position was \$ 4,491,051 at year end.
- During the year, The District's expenses were \$ 145,482 less than the \$ 1,484,008 generated from charges for services and other revenues for business-type activities.
- The District entered into no new debt agreements during the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements and required supplementary information. Management's Discussion and Analysis provides an overview of the financial activities of the District. The basic financial statements include three statements that present a financial view of the District: The Statement of Fund Net Position presents financial information, including assets and liabilities, representing a one day snapshot; the Statement of Revenues, Expenses and Changes in Fund Net Position presents a review of operating and non-operating activities for the fiscal period; the Statement of Cash Flows reflects the inflows and outflows of cash resources.

- Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as water sales.

The basic financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.



The District is a special purpose government as defined by the Governmental Accounting Standards Board. As such, only one financial statement presentation is required. The government-wide financial statements presentation for business type activities is the same as the fund financial statements as both presentations use the flow of economic resources measurement flow and the accrual basis of accounting. Therefore the basic financial statements include only the Proprietary Fund financial statements.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's total net position was \$ 4,491,051 at year end which reflects a \$ 145,482 increase from the prior year. Net position consists of Investment in Capital Assets, Restricted and Unrestricted. The Invested in Capital Assets increased \$ 21,481 due to additional investments in capital assets and reduced debt related to capital assets. There are no amounts included in Restricted net position. Unrestricted net position increases \$ 124,001 during the year. Unrestricted net position represents resources available to fund the District's activities in future periods.

Both assets and liabilities decreased from prior year amounts. Cash and cash equivalents increased 11% over the prior year balance. All other assets combined decreased \$ 148,400 which is the direct result of annual depreciation being greater than other changes in the assets. Liabilities decreased \$ 215,579 from the prior year amounts. This decrease was expected as the District continues to retire outstanding debt through monthly payments. Of the liability decrease, \$ 182,319 represents payments made to reduce debt.

Table A-1 that follows presents condensed financial position amounts for the District for the current and prior fiscal periods. Financial position presents financial information for a particular day in time. The date is the end of the fiscal year, December 31.

**ROSE HILL SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

<b>Rose Hill Special Utility District's Net Position</b>			<b>Table A-1</b>
	2017	2016	Total Percentage Change 2016 - 2017
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 793,810	\$ 712,924	11.35%
Other Assets	132,776	121,020	9.71%
Non-Current Assets	4,515,641	4,678,379	-3.48%
<b>Total Assets</b>	<b>\$ 5,442,227</b>	<b>\$ 5,512,323</b>	<b>-1.27%</b>
<b>Liabilities:</b>			
Current Liabilities	\$ 207,903	\$ 245,137	-15.19%
Long-term Liabilities	743,273	921,618	-19.35%
<b>Total Liabilities</b>	<b>\$ 951,176</b>	<b>\$ 1,166,755</b>	<b>-18.48%</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	\$ 3,829,070	\$ 3,807,589	0.56%
Unrestricted	661,981	537,980	23.05%
<b>Total Net Position</b>	<b>\$ 4,491,051</b>	<b>\$ 4,345,569</b>	<b>3.35%</b>

The following table presents condensed financial information presenting the change in net position for the year. The change in net position presents the increases and decreases in the current year and the resulting change in the beginning net position to arrive at the ending net position. The table represents the activities for the current and prior fiscal years.

<b>Changes in Rose Hill Special Utility District's Net Position</b>			<b>Table A-2</b>
	2017	2016	Total Percentage Change 2016 - 2017
<b>Program Revenues:</b>			
Charges for Services	\$ 1,475,882	\$ 1,354,965	8.92%
<b>Total Revenues</b>	<b>\$ 1,475,882</b>	<b>\$ 1,354,965</b>	<b>8.92%</b>
<b>Expenses:</b>			
Water Utilities	\$ 1,312,417	\$ 1,299,701	0.98%
<b>Total Expenses</b>	<b>\$ 1,312,417</b>	<b>\$ 1,299,701</b>	<b>0.98%</b>
<b>Non-Operating Revenues (Expenses):</b>			
Interest Income	1,126	993	13.39%
Interest Expense	(26,109)	(32,372)	-19.35%
Gain (Loss) on Sale of Fixed Asset	7,000	-	100.00%
<b>Net Non-Operating Revenues</b>	<b>\$ (17,983)</b>	<b>\$ (31,379)</b>	<b>-42.69%</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 145,482</b>	<b>\$ 23,885</b>	<b>509.09%</b>
<b>Net Position - Beginning (January 1)</b>	<b>4,345,569</b>	<b>4,321,684</b>	<b>0.55%</b>
<b>Net Position - Ending (December 31)</b>	<b>\$ 4,491,051</b>	<b>\$ 4,345,569</b>	<b>3.35%</b>

**ROSE HILL SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

Program revenues which include water sales, late payment and other various fees, customer contributions and other revenues increased \$ 120,917 over the prior year amount. This is due in part to the water rate increases implemented by the Board during the year. Also, new connections to the system exceeded 100 for the year. The District also billed for an additional 4 million gallons of water sold over the prior year.

Expenses increased less than 1% over the prior year amounts. While costs for treated water increased, payroll and other operating expenses decreased as a group during the year. This combination led to the small percentage increase in overall operating expenses.

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

The financial position of the District increased by \$ 145,482 from the prior year.

Program revenues totaled \$ 1,475,882. This represents an increase of \$ 120,917 from the prior year program revenues of \$ 1,354,965. The change is a result of the lifting of the watering restrictions imposed by North Texas Municipal Water District.

Overall expenses totaled \$ 1,312,417. This represents an increase of \$ 12,716 from the prior year expenses of \$ 1,299,701. The change represents the general increase of costs related to the operations of the District including increased treated water costs.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

At year end, the District had invested \$ 6,917,556 in a broad range of capital assets, including land, water distribution system, buildings, equipment and vehicles (see Table A-3).

<b>Rose Hill Special Utility District's Capital Assets</b>			<b>Table A-3</b>
	2017	2016	Total Percentage Change 2016 - 2017
Land and Improvements	\$ 148,123	\$ 148,123	0.00%
Construction in Progress	7,490	7,490	0.00%
Water Distribution System	6,504,927	6,499,513	0.08%
Vehicles and Equipment	233,088	225,995	3.14%
Buildings	23,928	23,928	0.00%
<b>Totals at Historical Cost</b>	<b>\$ 6,917,556</b>	<b>\$ 6,905,049</b>	<b>0.18%</b>
Total Accumulated Depreciation	(2,417,195)	(2,243,860)	7.72%
<b>Net Capital Assets</b>	<b>\$ 4,500,361</b>	<b>\$ 4,661,189</b>	<b>-3.45%</b>

Capital assets are comprised of the various long term assets through which the District receives, treats, and distributes the water to the residents and businesses of the area. Capital assets are depreciated over the estimated useful life of the assets and the District charges this depreciation as an operating expense. The District recognized \$ 199,654 of depreciation expense in the year which represents a decrease of \$ 13,240 from the prior year amount. Capital asset items sold or deemed obsolete and any related accumulated depreciation are removed from the capital asset listing each year.

**ROSE HILL SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

*Long Term Debt*

At year end, the District had \$ 671,292 in debt outstanding as shown in Table A-4. More detailed information about the District's debt is presented in the notes to the basic financial statements.

<b>Rose Hill Special Utility District's Long Term Debt</b>			<b>Table A-4</b>
	2017	2016	Total Percentage Change 2016 - 2017
Loans Payable	\$ 671,292	\$ 853,599	-21.36%
Total Debt Payable	<u>\$ 671,292</u>	<u>\$ 853,599</u>	-21.36%

**BUDGET, ECONOMIC ENVIRONMENT AND RATES**

At this time Rose Hill Special Utility District is not aware of any decisions or conditions that would impact the District's operations through 2018. Annual water supply increases will be monitored and, if needed, rates or other charges could be adjusted.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Nanci Essary, General Manager for the District.

## BASIC FINANCIAL STATEMENTS



**ROSE HILL SPECIAL UTILITY DISTRICT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**DECEMBER 31, 2017**

		Enterprise Fund
		Water Utilities
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	793,810
Accounts Receivable		91,455
Accrued Interest Receivable		5
Prepaid Expenses, Supplies and Materials		36,631
Prepaid Expenses, Other		4,685
		<hr/>
Total Current Assets	\$	926,586
Non-Current Assets:		
SUD Conversion Costs, Net	\$	15,280
Capital Assets, Net		4,500,361
		<hr/>
Total Non-Current Assets	\$	4,515,641
		<hr/>
<b>Total Assets</b>	<b>\$</b>	<b>5,442,227</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Other Payables	\$	2,460
Accrued Interest Payable		975
Accounts Payable		3,497
Due to Other Governments		5,509
TCEQ Assessment Payable		6,806
Loans Payable, Current Portion		188,656
		<hr/>
Total Current Liabilities	\$	207,903
NonCurrent Liabilities:		
Customer Deposits	\$	260,637
Loans Payable, less Current Portion		482,636
		<hr/>
Total NonCurrent Liabilities	\$	743,273
		<hr/>
<b>Total Liabilities</b>	<b>\$</b>	<b>951,176</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$	3,829,070
Unrestricted		661,981
		<hr/>
<b>Total Net Position</b>	<b>\$</b>	<b>4,491,051</b>
		<hr/> <hr/>

The accompanying notes are an integral part of this statement.

**ROSE HILL SPECIAL UTILITY DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND NET POSITION - PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

		Enterprise Fund
		Water Utilities
		<u>                    </u>
<b>OPERATING REVENUES</b>		
Water Sales	\$	1,361,396
Customer Charges/Fees		<u>114,486</u>
 Total Operating Revenues	 \$	 <u>1,475,882</u>
<b>OPERATING EXPENSES</b>		
Payroll and Benefits	\$	368,379
Water Purchases		491,104
Repairs and Maintenance		82,293
Supplies		5,986
Professional and Legal Fees		9,711
Insurance		14,789
Other Operating Costs		138,591
Amortization and Depreciation		<u>201,564</u>
 Total Operating Expenses	 \$	 <u>1,312,417</u>
 Net Operating Revenue (Expenses)	 \$	 <u>163,465</u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>		
Interest Income	\$	1,126
Interest Expense		(26,109)
Gain (Loss) on Sale of Fixed Assets		<u>7,000</u>
 Net Non-Operating Revenue (Expenses)	 \$	 <u>(17,983)</u>
 <b>Change in Net Position</b>	 \$	 145,482
 Total Net Position - Beginning (January 1)		 <u>4,345,569</u>
 <b>Total Net Position - Ending (December 31)</b>	 \$	 <u><u>4,491,051</u></u>

The accompanying notes are an integral part of this statement.

**ROSE HILL SPECIAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2017**

	Enterprise Fund
	Water Utilities
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 1,459,355
Cash Payments for Goods and Services	(368,379)
Cash Payments to Employees	(781,009)
	\$ 309,967
Cash Flows from Capital and Other Related Financing Activities:	
Principal Paid on Loans Payable	\$ (182,307)
Interest Paid on Loans Payable	(26,374)
Acquisition and Construction of Capital Assets	(38,825)
Capital Asset Sale Proceeds	7,000
	\$ (240,506)
Cash Flows from Noncapital Financing Activities:	
Increase (Decrease) in Customer Deposits	\$ 10,299
	\$ 10,299
Cash Flows from Investing Activities:	
Interest Received	\$ 1,126
	\$ 1,126
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 80,886
Cash and Cash Equivalents - Beginning (January 1)	712,924
<b>Cash and Cash Equivalents - Ending (December 31)</b>	<b>\$ 793,810</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Revenues (Expenses)	\$ 163,465
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Amortization and Depreciation	201,564
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(16,527)
(Increase) Decrease in Prepaid Expenses, Supplies and Materials	(3,789)
(Increase) Decrease in Prepaid Expenses, Other	8,560
Increase (Decrease) in Accounts Payable	(42,514)
Increase (Decrease) in Other Payable	(2,198)
Increase (Decrease) in TCEQ Assessment Payable	716
Increase (Decrease) in Due to Other Governments	690
	\$ 309,967

The accompanying notes are an integral part of this statement.

**ROSE HILL SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

A. Summary of Significant Accounting Policies

The Rose Hill Special Utility District (District) was approved by the voters within the District on September 20, 2005. The Rose Hill Special Utility District is an organization as set forth under the terms and conditions of Article XVI, Section 59 of the Texas Constitution and Chapter 65 of the Texas Water Code.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

1. Reporting Entity

The Board of Directors (Board), a five member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to providing water services within the jurisdiction of the Rose Hill Special Utility District. Members of the Board are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters. The District is not included in any other governmental "Reporting Entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units presented.

2. Basis of Presentation

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenue and expenses. The fund type utilized by the District is described below:

a. Proprietary fund types include the following –

The *Enterprise Fund* is used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) the governing body has decided periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989 and continue to follow new FASB pronouncements unless they conflict with GASB guidance.

3. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and liabilities associated with the operation of these funds are included in the balance sheet. Fund equity is identified as net position.

4. Budget

The Board adopts an annual budget for the Enterprise Fund. The Budget for the Enterprise Fund is adopted under a basis consistent with GAAP. The Board approves amendments to the annual budget as prepared by the General Manager of the District.

**ROSE HILL SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

A. Summary of Significant Accounting Policies (Continued)

5. Property, Plant and Equipment

Additions to the utility system are recorded at cost or, if contributed property, at its estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recovered by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	30 years
Office Equipment	5-10 years
Equipment	7-10 years
Water Distribution System	40 years
Vehicles	5-7 years

6. Amortization of Equity Fee and Organizational Costs

The District has assets recorded in the basic financial statements entitled "SUD Conversion Costs, Net." Generally accepted accounting principles require that the District capitalize the costs associated with these assets and amortize those costs over a period not less than 60 months, rather than expensing the entire amount in the year incurred. The expense associated with this amortization appears in the basic financial statements as "Amortization." The amount expensed during the year, was \$ 1,910. The amount recorded as an asset (net of amortization) in the basic financial statements at year end, totaled \$ 15,280.

7. Prepaid Expenses, Supplies and Materials

Prepaid expenses consist of items paid for in the current period to be used in the following accounting period. Prepaid supplies and materials consist of supplies and repair parts for the distribution system, valued at cost. The cost of supplies and materials is recorded as an expense when consumed rather than when purchased.

8. Cash and Cash Equivalents

Cash and Cash Equivalents are comprised of deposits in financial institutions, including time deposits. For the purpose of the statement of cash flows, a cash equivalent is considered any highly liquid investment with a maturity of ninety days or less.

9. Retirement Plan

The District participates in a Simple IRA plan administered by Capital Group, to provide retirement benefits for its employees. Employees may contribute up to the maximum annual amount as set periodically by the Internal Revenue Service. The District matches employee contributions dollar for dollar up to a maximum of 3% of the employee's compensation as determined by the Board annually, or the limit set by the Internal Revenue Service, whichever is less. To be eligible to participate employees must be employed full time for three months and all matching contributions vest immediately. The District's matching contributions to the Simple IRA plan during the fiscal year totaled approximately \$ 7,626.

10. Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave does not vest, but accumulates and is recorded as an expense as it is paid.

**ROSE HILL SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**B. Deposits, Securities and Investments**

The District's funds appear to be deposited and invested under the loan agreement with the financial institution. The agreement requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At December 31, 2017, it appears that District cash deposits were properly covered by FDIC insurance or by pledged collateral.

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to be in compliance with the requirements of the Act.

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or securitized certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

District investments include deposits in money market accounts and certificates of deposit at the local depository. All money market accounts and certificates of deposit are reported at share price (fair value) and are presented as cash and cash equivalents.

The following table categorizes the District's investment at year end:

	Credit Rating	Fair Value
Certificate of Deposit	AAAm	\$ 105,973
Money Market Accounts	AAAm	666,090
<b>Total</b>		<b>\$ 772,063</b>

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. **Custodial Credit Risk**

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Districts' name. At year end, the District was not exposed to custodial credit risk.

c. **Concentration of Credit Risk**

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

**ROSE HILL SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**B. Deposits, Securities and Investments (Continued)**

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

**C. Capital Assets**

The following is a summary of changes in capital assets during the year:

	Beginning Balances	Additions and Reclassifications	Retirements	Ending Balances
Land and Improvements	\$ 148,123	\$ -	\$ -	\$ 148,123
Construction in Progress	7,490	-	-	7,490
Buildings	23,928	-	-	23,928
Water Distribution System	6,499,513	5,414	-	6,504,927
Vehicles	97,187	25,466	26,320	96,333
Equipment	128,808	7,947	-	136,755
<b>Totals at Historical Cost</b>	<b>\$ 6,905,049</b>	<b>\$ 38,827</b>	<b>\$ 26,320</b>	<b>\$ 6,917,556</b>
Less Accumulated Depreciation for:				
Buildings	\$ 23,928	\$ -	\$ -	\$ 23,928
Water Distribution System	2,002,872	190,282	-	2,193,154
Vehicles	90,196	7,804	26,320	71,680
Equipment	126,864	1,569	-	128,433
<b>Total Accumulated Depreciation</b>	<b>\$ 2,243,860</b>	<b>\$ 199,655</b>	<b>\$ 26,320</b>	<b>\$ 2,417,195</b>
<b>Net Capital Assets</b>	<b>\$ 4,661,189</b>	<b>\$ (160,828)</b>	<b>\$ -</b>	<b>\$ 4,500,361</b>

**D. Long - Term Obligations**

Changes in Long -Term Debt

The following schedule presents changes in long-term obligations for the fiscal year.

	Balance Beginning	Additions	Deletions	Balance Ending	Due Within One Year
Loans Payable	\$ 853,599	\$ -	\$ 182,307	\$ 671,292	\$ 188,656

**ROSE HILL SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

D. Long - Term Obligations (Continued)

Loans Payable

The District had an outstanding loan at year end with American National Bank of Texas. The loan requires monthly payments of principal and interest and will mature in May 2021. The following presents information on the outstanding loans:

Payee	Interest Rate	Original Issue	Current Outstanding
American National Bank	3.375%	\$ 2,900,000	\$ 671,292

Maturities of loan balances at year end are as follows:

Year Ending December 31	Principal	Interest	Total Requirements
2018	\$ 188,656	\$ 20,025	\$ 208,681
2019	195,214	13,467	208,681
2020	201,975	6,706	208,681
2021	85,447	1,503	86,950
Totals	\$ 671,292	\$ 41,701	\$ 712,993

E. Customer Deposits

The District requires each new customer to pay \$ 275 for owner occupied dwellings and \$ 400 for rental dwellings, which is held as a refundable deposit to secure payment of the customer's water bill. At year end, the District's obligation totaled \$ 260,637.

F. Litigation

The District does not appear to be involved in any litigation as of December 31, 2017.

G. 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; injuries to employees; and natural disasters. During fiscal year end, the District purchased commercial insurance to cover these liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Subsequent Events

District Management has evaluated subsequent events through March 19, 2018, which is the date the financial statements were available to be issued. There do not appear to be any events occurring after year end that could have a material effect on the financial statements at year end as presented.



**ROSE HILL SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

I. Change in Accounting Principles

In fiscal year 2017, the District adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 72, *Fair Value Measurement and Application*
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*
  - a) Statement No. 72 requires state and local governments to measure investments at fair value using a consistent definition and valuation techniques; also defines what assets and liabilities governments should measure at fair value and expands fair value disclosures in financial disclosure notes. While the Statement generally requires restatement of prior period balances in the year of implementation, the nature of the District's investments was such that their carrying amount was not affected.
  - b) The GAAP hierarchy prioritizes guidance governments follow when preparing U.S. GAAP financial statements. Statement No. 76 reduces authoritative GAAP hierarchy from four categories to two and lists the order of priority for pronouncements to which a government should look for guidance.

TEXAS SUPPLEMENTARY INFORMATION (TSI)  
(Other Supplementary Information)

**ROSE HILL SPECIAL UTILITY DISTRICT  
SUPPLEMENTARY SCHEDULES INCLUDED WITHIN THIS REPORT  
YEAR ENDED DECEMBER 31, 2017**

<u>Exhibit ID</u>	<u>Exhibit Title</u>	<u>Page</u>
	Independent Auditor's Report on Supplementary Schedules	26
	Budgetary Comparison Schedule – Enterprise Fund	27
TSI-1	Services and Rates	28
TSI-2	Enterprise Fund Expenditures	30
TSI-3	Temporary Investments	31
TSI-5	Long-Term Debt Service Requirements by Years	32
TSI-7	Comparative Schedule of Revenues and Expenses Enterprise Fund - Five Years	33
TSI-8	Board Members, Key Personnel and Consultants	34

The following schedules are not applicable to this District.

- I. Analysis of Taxes Levied and Receivable

**RUTHERFORD,  
TAYLOR &  
COMPANY, P.C.**  
*Certified Public Accountants*

---

2802 Washington Street

Greenville, Texas 75401

(903) 455-6252

Fax (903) 455-6667

**INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY SCHEDULES**

---

Members of the Board:

In our opinion, the accompanying information is stated accurately in all material respects in relation to the basic financial statements, taken as a whole, of the Rose Hill Special Utility District for the year ended December 31, 2017, which are covered by our opinion presented in the first section of this report.

The accompanying information is supplementary to the basic financial statements and is not essential for a fair presentation of financial position, results of operations or cash flows.

Our audit, which was made for the purpose of forming an opinion on the basic financial statements taken as a whole, included such tests of the accounting records, from which the supplementary information was compiled, and such other auditing procedures as we considered necessary in the circumstances.

March 19, 2018  
Greenville, Texas

*Rutherford, Taylor & Company PC*

**ROSE HILL SPECIAL UTILITY DISTRICT  
ENTERPRISE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Water Sales	\$ 1,216,362	\$ 1,216,362	\$ 1,361,396	\$ 145,034
Customer Charges/Fees	66,367	66,367	114,486	48,119
Total Operating Revenues	<u>\$ 1,282,729</u>	<u>\$ 1,282,729</u>	<u>\$ 1,475,882</u>	<u>\$ 193,153</u>
<b>OPERATING EXPENSES</b>				
Payroll and Benefits	\$ 395,460	\$ 397,251	\$ 368,379	\$ 28,872
Water Purchases	500,000	500,000	491,104	8,896
Repairs and Maintenance	130,800	134,000	82,293	51,707
Supplies	10,000	10,000	5,986	4,014
Professional and Legal Fees	15,000	15,550	9,711	5,839
Insurance	15,870	16,967	14,789	2,178
Other Operating Costs	146,790	156,019	138,591	17,428
Amortization & Depreciation	241,940	228,098	201,564	26,534
Total Operating Expenses	<u>\$ 1,455,860</u>	<u>\$ 1,457,885</u>	<u>\$ 1,312,417</u>	<u>\$ 145,468</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest Income	\$ -	\$ 855	\$ 1,126	\$ 271
Interest Expense	(27,700)	(43,169)	(26,109)	17,060
Gain (Loss) on Sale of Fixed Assets	-	-	7,000	7,000
Net Non-Operating Revenues (Expenses)	<u>\$ (27,700)</u>	<u>\$ (42,314)</u>	<u>\$ (17,983)</u>	<u>\$ 24,331</u>
<b>Change in Net Position</b>	<u>\$ (200,831)</u>	<u>\$ (217,470)</u>	<u>\$ 145,482</u>	<u>\$ 362,952</u>
Net Position - Beginning (January 1)	<u>4,345,569</u>	<u>4,345,569</u>	<u>4,345,569</u>	<u>-</u>
<b>Net Position - Ending (December 31)</b>	<u><u>\$ 4,144,738</u></u>	<u><u>\$ 4,128,099</u></u>	<u><u>\$ 4,491,051</u></u>	<u><u>\$ 362,952</u></u>
<b>SUPPLEMENTAL INFORMATION</b>				
Debt Principal Payments	<u>\$ 182,350</u>	<u>\$ 182,350</u>	<u>\$ 182,307</u>	<u>\$ 43</u>

**ROSE HILL SPECIAL UTILITY DISTRICT  
SERVICES AND RATES  
YEAR ENDED DECEMBER 31, 2017**

1. Services provided by the District:

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

2. a. Retail Rates Based on 5/8" Meter:

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1000 Gallons Over Minimum		Usage Levels	
WATER:	\$ 39.00	0	N	\$ 6.75	0	to	4,000
				\$ 9.00	4,001	to	7,000
				\$ 11.25	7,001	to	10,000
				\$ 12.00	10,001	to	15,000
				\$ 13.00	15,001	to	unlimited

District employs winter averaging for wastewater usage? \_\_\_ Yes X No

Total charges per 10,000 gallons usage: Water \$ 126.75

b. Water Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	-	-	x1.0	-
≤ 3/4"	1,595	1,438	x1.0	1,438
1"	-	-	x2.5	-
1 1/2"	-	-	x5.0	-
2"	3	2	x8.0	16
3"	-	-	x15.0	-
4"	-	-	x25.0	-
Total Water	1,598	1,440		-
Total Wastewater	-	-	x1.0	-

3. Total water consumption (rounded to the nearest 1,000) during the fiscal year:

Gallons pumped into system:	<u>102,432,000</u>
Gallons billed to customers:	<u>85,756,000</u>
Water Accountability Percent:	<u>83.72 %</u>

**ROSE HILL SPECIAL UTILITY DISTRICT  
SERVICES AND RATES  
YEAR ENDED DECEMBER 31, 2017**

4. Standby Fees: District does not levy standby fees.

5. Location of District:  
County(ies) in which district is located     Kaufman    

Is the District located entirely in one county? Yes   X   No         

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

City(ies) in which District is located.     Post Oak Bend    

Is the District located within a city's extra territorial jurisdiction (ETJ)?  
Entirely          Partly   X   Not at all         

ETJ's in which District is located     Terrell, Kaufman, Post Oak Bend    

Is the general membership of the Board appointed by an office outside the District?  
Yes          No   X  

If Yes, by whom?   N/A

**ROSE HILL SPECIAL UTILITY DISTRICT  
ENTERPRISE FUND EXPENDITURES  
YEAR ENDED DECEMBER 31, 2017**

Payroll and Benefits	\$	368,379
Water Purchases		491,104
Repairs/Maintenance & Supplies		88,279
Other Operating Costs		138,591
Professional and Legal Fees		9,711
Insurance		14,789
Amortization and Depreciation		201,564
Interest Expense		<u>26,109</u>
Total Expenses	\$	<u><u>1,338,526</u></u>

Number of persons employed by the District:

Full Time	<u>4</u>
Part Time	<u>1</u>



**ROSE HILL SPECIAL UTILITY DISTRICT  
TEMPORARY INVESTMENTS  
YEAR ENDED DECEMBER 31, 2017**

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at Year End
Certificate of Deposit	9474438	0.150%	06/23/18	\$ 35,158	\$ 1
Certificate of Deposit	9538604	0.200%	12/23/18	35,548	1
Certificate of Deposit	9579368	0.200%	09/16/18	35,267	3
Customer Deposits Resere MMA	213991	0.070%	Monthly	258,604	-
Construction Assistance MMA	214700	0.270%	Monthly	357,470	-
Capital Improvement MMA	214007	0.070%	Monthly	50,016	-
	Total			<u>\$ 772,063</u>	<u>\$ 5</u>

**ROSE HILL SPECIAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
AMERICAN NATIONAL BANK OF TEXAS LOAN  
YEAR ENDED DECEMBER 31, 2017**

Year Ending December 31	Principal *	Interest *	Total Requirements
2018	\$ 188,656	\$ 20,025	\$ 208,681
2019	195,214	13,467	208,681
2020	201,975	6,706	208,681
2021	85,447	1,503	86,950
Total	<u>\$ 671,292</u>	<u>\$ 41,701</u>	<u>\$ 712,993</u>

\* - Principal and interest payments are made monthly to retire the debt.

**ROSE HILL SPECIAL UTILITY DISTRICT  
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES  
ALL PROPRIETARY FUND TYPES  
FIVE YEARS ENDED DECEMBER 31, 2017**

	AMOUNTS					PERCENT OF FUND TOTAL REVENUE				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
<b>OPERATING REVENUE</b>										
Water Sales	\$ 1,361,396	\$ 1,217,927	\$ 1,216,362	\$ 1,158,941	\$ 1,168,061	92.24%	89.89%	93.69%	94.49%	94.40%
Customer Charges/Fees	114,486	137,038	81,917	67,612	69,344	7.76%	10.11%	6.31%	5.51%	5.60%
<b>TOTAL OPERATING REVENUE</b>	<b>\$ 1,475,882</b>	<b>\$ 1,354,965</b>	<b>\$ 1,298,279</b>	<b>\$ 1,226,553</b>	<b>\$ 1,237,405</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>OPERATING EXPENSES</b>										
Payroll and Benefits	\$ 368,379	\$ 389,048	\$ 354,597	\$ 345,277	\$ 360,452	24.96%	28.71%	27.31%	28.15%	29.13%
Water Distribution System	579,383	556,324	499,853	430,202	412,009	39.26%	41.06%	38.50%	35.07%	33.30%
Other Operating Costs	138,591	115,125	129,320	129,642	134,804	9.39%	8.50%	9.96%	10.57%	10.89%
Professional and Legal Fees	9,711	8,362	11,084	11,706	7,385	0.66%	0.62%	0.85%	0.95%	0.60%
Insurance	14,789	13,038	10,959	11,975	15,250	1.00%	0.96%	0.84%	0.98%	1.23%
Amortization and Depreciation	201,564	217,804	221,464	229,997	237,685	13.66%	16.07%	17.06%	18.75%	19.21%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 1,312,417</b>	<b>\$ 1,299,701</b>	<b>\$ 1,227,277</b>	<b>\$ 1,158,799</b>	<b>\$ 1,167,585</b>	<b>88.92%</b>	<b>95.92%</b>	<b>94.53%</b>	<b>94.48%</b>	<b>94.36%</b>
<b>NET OPERATING REVENUE (EXPENSES)</b>	<b>\$ 163,465</b>	<b>\$ 55,264</b>	<b>\$ 71,002</b>	<b>\$ 67,754</b>	<b>\$ 69,820</b>	<b>11.08%</b>	<b>4.08%</b>	<b>5.47%</b>	<b>5.52%</b>	<b>5.64%</b>
<b>NON-OPERATING REVENUE (EXPENSES)</b>										
Interest Income	\$ 1,126	\$ 993	\$ 855	\$ 701	\$ 661	0.08%	0.07%	0.07%	0.06%	0.05%
Interest Expense	(26,109)	(32,372)	(38,066)	(43,888)	(49,412)	-1.77%	-2.39%	-2.93%	-3.58%	-3.99%
Gain (Loss) on Sale of Fixed Assets	7,000	-	-	-	-	0.47%	0.00%	0.00%	0.00%	0.00%
<b>NET NON-OPERATING REVENUE (EXPENSES)</b>	<b>\$ (17,983)</b>	<b>\$ (31,379)</b>	<b>\$ (37,211)</b>	<b>\$ (43,187)</b>	<b>\$ (48,751)</b>	<b>-1.22%</b>	<b>-2.32%</b>	<b>-2.87%</b>	<b>-3.52%</b>	<b>-3.94%</b>
<b>NET REVENUE (EXPENSES)</b>	<b>\$ 145,482</b>	<b>\$ 23,885</b>	<b>\$ 33,791</b>	<b>\$ 24,567</b>	<b>\$ 21,069</b>	<b>9.86%</b>	<b>1.76%</b>	<b>2.60%</b>	<b>2.00%</b>	<b>1.70%</b>

**ROSE HILL SPECIAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
YEAR ENDED DECEMBER 31, 2017**

Complete District Mailing Address: P.O. Box 190, Kaufman, Texas 75142  
 District Business Telephone Number: 972-932-3077  
 Submission Date of the most recent District Registration Form: February 9, 2018  
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200

	Term of Office (Elected or Appointed or Date Hired)	Fees of Office Paid 12/31/2017	Expense Reimbursements 12/31/2017	Title at Year End
<b>Board Members:</b>				
Randy Reznicek	2015-2018	\$ *	\$ -	President
Steve Hilborn	2015-2018	\$ *	\$ -	Vice-Pres
Harold Ross	2016 - 2019	\$ *	\$ -	Sec/Tres
Earl Martin	2017-2020	\$ *	\$ -	Director
Kathy Dodd	2017-2020	\$ *	\$ -	Director
<b>Consultants:</b>				
Jackson Walker, LLP		\$ 1,161		Attorney
Rutherford, Taylor & Company, P.C		\$ 8,550		Auditor
Daniel & Brown		\$ 822		Engineer

\* The District does not pay Director's for services on the Board.