

HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 1  
HARRIS COUNTY, TEXAS  
ANNUAL AUDIT REPORT  
SEPTEMBER 30, 2017

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January 9, 2018

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Harris County Municipal  
Utility District No. 1  
Harris County, Texas

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

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Harris County Municipal Utility District No. 1 as of September 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 8 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 23 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 24 to 48 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by our firm.

*Wolfe & Cozins, PLLC*

## Management's Discussion and Analysis

### Using this Annual Report

Within this section of the Harris County Municipal Utility District No. 1 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2017.

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

#### *Government-Wide Financial Statements*

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

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

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

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

#### *Fund Financial Statements*

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

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

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

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

### **Financial Analysis of the District as a Whole**

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

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

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

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

Summary of Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Current and other assets	\$ 13,527,053	\$ 12,253,635	\$ 1,273,418
Capital assets	32,693,981	32,871,551	(177,570)
Total assets	<u>46,221,034</u>	<u>45,125,186</u>	<u>1,095,848</u>
Long-term liabilities	40,304,970	42,513,818	(2,208,848)
Other liabilities	3,306,038	3,089,646	216,392
Total liabilities	<u>43,611,008</u>	<u>45,603,464</u>	<u>(1,992,456)</u>
Net position:			
Invested in capital assets, net of related debt	(10,099,577)	(11,970,539)	1,870,962
Restricted	6,250,425	6,451,835	(201,410)
Unrestricted	6,459,178	5,040,426	1,418,752
Total net position	<u>\$ 2,610,026</u>	<u>\$ (478,278)</u>	<u>\$ 3,088,304</u>

Summary of Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 5,424,300	\$ 5,504,445	\$ (80,145)
Charges for services	3,307,281	2,747,839	559,442
Other revenues	161,327	90,719	70,608
Total revenues	<u>8,892,908</u>	<u>8,343,003</u>	<u>549,905</u>
Expenses:			
Service operations	4,251,207	5,619,946	(1,368,739)
Debt service	1,553,397	1,883,796	(330,399)
Total expenses	<u>5,804,604</u>	<u>7,503,742</u>	<u>(1,699,138)</u>
Change in net position	3,088,304	839,261	2,249,043
Net position, beginning of year	<u>(478,278)</u>	<u>(1,317,539)</u>	<u>839,261</u>
Net position, end of year	<u>\$ 2,610,026</u>	<u>\$ (478,278)</u>	<u>\$ 3,088,304</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances as of the end of the fiscal year ended September 30, 2017, were \$12,586,716, an increase of \$1,212,948 from the prior year.

The General Fund balance increased by \$1,417,883, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$161,906, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by \$366,841, as authorized expenditures exceeded interest earnings.

#### *General Fund Budgetary Highlights*

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 23 of this report. The budgetary fund balance as of September 30, 2017, was expected to be \$6,186,489 and the actual end of year fund balance was \$6,439,540.

#### **Capital Asset and Debt Administration**

##### *Capital Assets*

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Land and detention ponds	\$ 10,061,031	\$ 10,061,031	\$ 0
Construction in progress	1,599,034	1,297,598	301,436
Water facilities	8,098,970	8,454,194	(355,224)
Sewer facilities	<u>12,934,946</u>	<u>13,058,728</u>	<u>(123,782)</u>
Totals	<u>\$ 32,693,981</u>	<u>\$ 32,871,551</u>	<u>\$ (177,570)</u>

Changes to capital assets during the fiscal year ended September 30, 2017, are summarized as follows:

Additions:		
Lift station improvements		\$ 120,066
Water plant No. 4 engineering		100,813
Construction by developers		143,253
Generator		<u>250,757</u>
Total additions to capital assets		614,889
Decreases:		
Depreciation		<u>(792,459)</u>
Net change to capital assets		<u>\$ (177,570)</u>

##### *Debt*

Changes in the bonded debt position of the District during the fiscal year ended September 30, 2017, are summarized as follows:

Bonded debt payable, beginning of year	\$ 43,755,000
Refunding bonds sold	4,870,000
Bonds refunded	(4,585,000)
Bonds paid	<u>(2,355,000)</u>
Bonded debt payable, end of year	<u>\$ 41,685,000</u>

At September 30, 2017, the District had \$64,260,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.



On August 8, 2017, the District issued \$4,870,000 in unlimited tax refunding bonds to advance refund \$4,585,000 of outstanding Series 2006 bonds. The net proceeds of \$4,831,258 (after payment of \$126,005 in underwriting fees and other issuance costs plus the District's contribution of \$87,263) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, these bonds are considered defeased and the liability for the refunded bonds has been removed from the financial statements.

The District advance refunded the bonds to reduce total debt service payments over future years by approximately \$481,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$398,000.

On December 14, 2017, the District issued its Series 2017 unlimited tax bonds in the amount of \$9,690,000.

The District's bonds prior to 2014 have an underlying rating of BBB+ by Standard & Poor's and the Series 2014, 2014 refunding bonds, and 2016 bonds have an underlying rating of A2 by Moody's. The Series 2016 and 2017 refunding bonds are not insured and not rated. The Series 2006, 2010, 2011 and 2016 bonds are insured by Assured Guaranty Municipal Corp. and the Series 2009 bonds are insured by Assured Guaranty Corp. The Series 2013 and 2014 refunding bonds are insured by Build America Mutual Assurance Company. The Series 2014 bonds are insured by Municipal Assurance Corp. Because of the insurance, the Series 2006, 2009, 2010, 2011, 2013, 2014, 2016 and 2014 refunding bonds are rated AA by Standard & Poor's. The insured rating of the Series 2006, 2010, and 2011 bonds is A2 by Moody's. There was no change in the bond ratings during the fiscal year ended September 30, 2017.

As further described in Note 5 of the notes to the financial statements, developers within the District are constructing water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. At September 30, 2017, the estimated amount due to developers was \$1,408,936.

## **RELEVANT FACTORS AND WATER SUPPLY ISSUES**

### *Property Tax Base*

The District's tax base increased approximately \$81,200,000 for the 2016 tax year (approximately 14%) due to the increase in assessed valuation on existing property and the addition of new houses within the District.

### *Relationship to the City of Houston*

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

Utilizing a provision of Texas law, the City of Houston ("City") and the District entered into a Strategic Partnership Agreement ("SPA") effective as of December 13, 2010. The SPA provides for the limited purpose annexation of certain developed commercial tracts within the District by the City. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City, and the City provides only limited services (primarily police). Additional properties may become subject to the SPA by amending the SPA upon the consent of the City and the District. The City pays the District an amount equal to 50 percent of all Sales and Use Tax revenues generated from the properties subject to the SPA and received by the City from the Comptroller of Public Accounts of the State of Texas. The term of the SPA is 30 years. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

### *Water Supply Issues*

The District is located within the boundaries of the Harris-Galveston Subsidence District (“Subsidence District”) and the North Harris County Regional Water Authority (“NHCRWA”). The NHCRWA was created to provide for conversion of the area within its boundaries from groundwater usage to alternative sources of water supply (e.g., surface water) as required by regulations of the Subsidence District. The NHCRWA covers an area located in northern Harris County and adjacent to the City of Houston. Pursuant to an order of the Subsidence District and the NHCRWA’s Groundwater Reduction Plan (as approved by the Subsidence District), the area within the boundaries of the NHCRWA must be converted to at least 30% alternate source (e.g., surface) water use by 2010, 60% alternate source water use by 2025, and 80% alternate source water use by 2035. To implement the required conversion to alternate source water use in accordance with such schedule, the NHCRWA is in the process of designing and constructing and will operate a network of transmission and distribution lines, storage tanks, and pumping stations to transport and distribute water within the NHCRWA (the “NHCRWA System”). In addition, the NHCRWA has entered into a water supply contract to secure a long-term supply of treated surface water from the City of Houston.

The District is subject to the NHCRWA’s Groundwater Reduction Plan. The NHCRWA, as part of the plan of financing the NHCRWA System, has elected to allow districts, such as the District, to participate in a pro-rata share of the costs associated with the acquisition and construction of the NHCRWA System (including the costs associated with the acquisition of alternate sources of water supply) by issuing its own debt or using cash on hand, entitling the District to a future credit against pumpage fees due to the NHCRWA. The District has not elected this financing option. As a result, the District has elected to pay its share in the NHCRWA System costs over time through payment of levied pumpage fees to the NHCRWA. The District may be required by the NHCRWA to participate in the groundwater conversion project by converting to surface water some time after January 1, 2010. Noncompliance with the NHCRWA’s Groundwater Reduction Plan or nonparticipation in the NHCRWA’s surface water conversion project could result in the District’s exclusion from the NHCRWA’s Groundwater Reduction Plan and assessment of the Subsidence District’s disincentive fee against groundwater pumped from wells located within the District.

Groundwater pumped from wells located within the District is not currently subject to the Subsidence District’s groundwater disincentive fee. However, groundwater pumped from wells located within the District is subject to a per 1,000 gallon pumpage fee that is assessed and collected by the NHCRWA pursuant to the NHCRWA’s Pumpage Fee Order. At September 30, 2017, the pumpage fee was equal to \$2.90 per 1,000 gallons pumped, and is expected to increase in the future. At September 30, 2017, the Authority’s surface water usage fee was equal to \$3.35 per 1,000 gallons, and is expected to increase in the future. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future to finance the acquisition and construction of surface water infrastructure (whether such costs are incurred directly by the District or through projects undertaken by the NHCRWA). The NHCRWA has sold four issues of bonds to finance a portion of the costs related to the design, acquisition and construction of the NHCRWA System. The NHCRWA bonds are secured by revenues of the NHCRWA, including the pumpage fee.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

SEPTEMBER 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>						
Cash, including interest-bearing accounts, Note 7	\$1,482,665	\$ 5,545	\$1,634,844	\$ 3,123,054	\$	\$ 3,123,054
Certificates of deposit, at cost, Note 7	3,840,000	4,320,000		8,160,000		8,160,000
Temporary investments, at cost, Note 7	1,497,989	146,835	57,670	1,702,494		1,702,494
Receivables:						
Property taxes	19,638	108,728		128,366		128,366
Service accounts	278,145			278,145		278,145
Sales and Use taxes, Note 10	24,266			24,266		24,266
Accrued interest	12,083	11,521		23,604		23,604
Other	4,723			4,723		4,723
Due from other fund	31,915	12,737		44,652	(44,652)	0
Prepaid bond issuance expenditures	60,018			60,018		60,018
Prepaid expenditures	22,383			22,383		22,383
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	11,660,065	11,660,065
Depreciable capital assets				0	21,033,916	21,033,916
<b>Total assets</b>	<b><u>\$7,273,825</u></b>	<b><u>\$4,605,366</u></b>	<b><u>\$1,692,514</u></b>	<b><u>\$ 13,571,705</u></b>	<b><u>32,649,329</u></b>	<b><u>46,221,034</u></b>
<b>LIABILITIES</b>						
Accounts payable	\$ 309,115	\$	\$ 10,061	\$ 319,176		319,176
Accrued interest payable				0	5,479	5,479
Customer and builder deposits	492,795			492,795		492,795
Due to other fund	12,737		31,915	44,652	(44,652)	0
Long-term liabilities, Note 5:						
Due within one year				0	2,488,588	2,488,588
Due in more than one year				0	40,304,970	40,304,970
<b>Total liabilities</b>	<b><u>814,647</u></b>	<b><u>0</u></b>	<b><u>41,976</u></b>	<b><u>856,623</u></b>	<b><u>42,754,385</u></b>	<b><u>43,611,008</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property tax revenues	<u>19,638</u>	<u>108,728</u>	<u>0</u>	<u>128,366</u>	<u>(128,366)</u>	<u>0</u>
<b>FUND BALANCES / NET POSITION</b>						
Fund balances:						
Assigned to:						
Debt service		4,496,638		4,496,638	(4,496,638)	0
Capital projects			1,650,538	1,650,538	(1,650,538)	0
Unassigned	<u>6,439,540</u>			<u>6,439,540</u>	<u>(6,439,540)</u>	<u>0</u>
<b>Total fund balances</b>	<b><u>6,439,540</u></b>	<b><u>4,496,638</u></b>	<b><u>1,650,538</u></b>	<b><u>12,586,716</u></b>	<b><u>(12,586,716)</u></b>	<b><u>0</u></b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b><u>\$7,273,825</u></b>	<b><u>\$4,605,366</u></b>	<b><u>\$1,692,514</u></b>	<b><u>\$ 13,571,705</u></b>		
<b>Net position:</b>						
Invested in capital assets, net of related debt, Note 4					(10,099,577)	(10,099,577)
Restricted for debt service					4,599,887	4,599,887
Restricted for capital projects					1,650,538	1,650,538
Unrestricted					<u>6,459,178</u>	<u>6,459,178</u>
<b>Total net position</b>					<b><u>\$ 2,610,026</u></b>	<b><u>\$ 2,610,026</u></b>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
<b>REVENUES</b>						
Property taxes	\$ 1,553,447	\$ 3,866,029	\$	\$ 5,419,476	\$ (14,227)	\$ 5,405,249
Water service	874,120			874,120		874,120
Sewer service	943,453			943,453		943,453
Surface water fees, Note 9	990,954			990,954		990,954
Penalty and interest	48,930	19,051		67,981		67,981
Tap connection and inspection fees	402,324			402,324		402,324
Sales and Use Taxes, Note 10	76,672			76,672		76,672
Interest on deposits and investments	35,214	42,950	6,491	84,655		84,655
Other revenues	47,500			47,500		47,500
<b>Total revenues</b>	<b>4,972,614</b>	<b>3,928,030</b>	<b>6,491</b>	<b>8,907,135</b>	<b>(14,227)</b>	<b>8,892,908</b>
<b>EXPENDITURES / EXPENSES</b>						
Service operations:						
Professional fees	200,979			200,979		200,979
Contracted services	231,370	2,243	1,375	234,988		234,988
Utilities	209,843			209,843		209,843
Surface water pumpage fees, Note 9	1,050,052			1,050,052		1,050,052
Repairs and maintenance	438,037			438,037		438,037
Other operating expenditures	184,833			184,833		184,833
Security service	270,373			270,373		270,373
Garbage disposal	497,884			497,884		497,884
Administrative expenditures	175,240	78		175,318		175,318
Depreciation				0	792,459	792,459
Capital outlay / non-capital outlay	328,035		340,042	668,077	(471,636)	196,441
Debt service:						
Principal retirement		2,355,000		2,355,000	(2,355,000)	0
Refunding cont./bond issuance exp.		87,263		87,263	38,742	126,005
Interest and fees		1,321,540		1,321,540	105,852	1,427,392
<b>Total expenditures / expenses</b>	<b>3,586,646</b>	<b>3,766,124</b>	<b>341,417</b>	<b>7,694,187</b>	<b>(1,889,583)</b>	<b>5,804,604</b>
Excess (deficiency) of revenues over expenditures	<u>1,385,968</u>	<u>161,906</u>	<u>(334,926)</u>	<u>1,212,948</u>	<u>1,875,356</u>	<u>3,088,304</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Reimbursement to (from) other fund, Note 7	31,915		(31,915)	0	0	0
Bonds issued, Note 5		4,870,000		4,870,000	(4,870,000)	0
Refunding bond issuance expenditures, Note 5		(38,742)		(38,742)	38,742	0
Payment to refunding escrow agent, Note 5		(4,831,258)		(4,831,258)	4,831,258	0
<b>Total other financing sources (uses)</b>	<b>31,915</b>	<b>0</b>	<b>(31,915)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net change in fund balances / net position	1,417,883	161,906	(366,841)	1,212,948	1,875,356	3,088,304
Beginning of year, restated	5,021,657	4,334,732	2,017,379	11,373,768	(11,852,046)	(478,278)
End of year	<u>\$ 6,439,540</u>	<u>\$ 4,496,638</u>	<u>\$ 1,650,538</u>	<u>\$ 12,586,716</u>	<u>\$ (9,976,690)</u>	<u>\$ 2,610,026</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1NOTES TO THE FINANCIAL STATEMENTSSEPTEMBER 30, 2017

## NOTE 1: REPORTING ENTITY

Harris County Municipal Utility District No. 1 (the "District") was created by an order of the Texas Water Rights Commission (now the Texas Commission on Environmental Quality) effective May 31, 1972, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

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

Basic Financial Statements

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Basis of Accounting

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

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

### Interfund Activity

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

### Receivables

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

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

### Capital Assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 12,586,716
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		32,693,981
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (41,685,000)	
Deferred charge on refunding (to be amortized as interest expense)	311,031	
Issuance discount, net of (premium) (to be amortized as interest expense)	(10,653)	
Due to developers	<u>(1,408,936)</u>	(42,793,558)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Uncollected property taxes		128,366
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(5,479)</u>
Net position, end of year		<u>\$ 2,610,026</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Total net change in fund balances		\$ 1,212,948
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	\$ 471,636	
Depreciation	<u>(792,459)</u>	(320,823)
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Bonds issued	(4,870,000)	
Payment to escrow agent for refunding	4,831,258	
Principal reduction	<u>2,355,000</u>	2,316,258
The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Refunding charges	(11,203)	
Issuance discount, net of premium	<u>(113,270)</u>	(124,473)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Uncollected property taxes		(14,227)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:		
Accrued interest		<u>18,621</u>
Change in net position		<u>\$ 3,088,304</u>

NOTE 4: CAPITAL ASSETS

At September 30, 2017, "Invested in capital assets, net of related debt" was \$(10,099,577). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended September 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and detention ponds	\$ 10,061,031	\$	\$	\$ 10,061,031
Construction in progress	<u>1,297,598</u>	<u>338,893</u>	<u>37,457</u>	<u>1,599,034</u>
Total capital assets not being depreciated	<u>11,358,629</u>	<u>338,893</u>	<u>37,457</u>	<u>11,660,065</u>
Depreciable capital assets:				
Water system	12,304,070			12,304,070
Sewer system	<u>17,774,156</u>	<u>313,453</u>		<u>18,087,609</u>
Total depreciable capital assets	<u>30,078,226</u>	<u>313,453</u>	<u>0</u>	<u>30,391,679</u>
Less accumulated depreciation for:				
Water system	(3,849,876)	(355,224)		(4,205,100)
Sewer system	<u>(4,715,428)</u>	<u>(437,235)</u>		<u>(5,152,663)</u>
Total accumulated depreciation	<u>(8,565,304)</u>	<u>(792,459)</u>	<u>0</u>	<u>(9,357,763)</u>
Total depreciable capital assets, net	<u>21,512,922</u>	<u>(479,006)</u>	<u>0</u>	<u>21,033,916</u>
Total capital assets, net	<u>\$ 32,871,551</u>	<u>\$ (140,113)</u>	<u>\$ 37,457</u>	<u>\$ 32,693,981</u>
Changes to capital assets:				
Capital outlay		\$ 471,636	\$	
Assets transferred to depreciable assets		37,457	37,457	
Increase in liability to developers		143,253		
Less depreciation expense for the fiscal year		<u>(792,459)</u>		
Net increases / decreases to capital assets		<u>\$ (140,113)</u>	<u>\$ 37,457</u>	

**NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES**

On December 14, 2017, the District issued its Series 2017 unlimited tax bonds in the amount of \$9,690,000.

Long-term liability activity for the fiscal year ended September 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 43,755,000	\$ 4,870,000	\$ 6,940,000	\$ 41,685,000	\$ 2,535,000
Deferred amounts:					
For issuance (discounts) premiums	(102,617)		(113,270)	10,653	(6,256)
For refunding	<u>(75,976)</u>	<u>(246,258)</u>	<u>(11,203)</u>	<u>(311,031)</u>	<u>(40,156)</u>
Total bonds payable	<u>43,576,407</u>	<u>4,623,742</u>	<u>6,815,527</u>	<u>41,384,622</u>	<u>2,488,588</u>
Due to developers (see below)	<u>1,265,683</u>	<u>143,253</u>	<u>0</u>	<u>1,408,936</u>	-----
Total long-term liabilities	<u>\$ 44,842,090</u>	<u>\$ 4,766,995</u>	<u>\$ 6,815,527</u>	<u>\$ 42,793,558</u>	<u>\$ 2,488,588</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Bonds payable, beginning of year	\$ 43,755,000
Bonds paid	(2,355,000)
Refunding bonds sold	4,870,000
Bonds refunded	<u>(4,585,000)</u>
Bonds payable, end of year	<u>\$ 41,685,000</u>

Developer Construction Commitments and Liabilities

Developers within the District are constructing certain underground facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The District's engineer stated that cost of the construction in progress at September 30, 2017, was \$1,408,936. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

The District has been paying the amount due October 1 within the fiscal year preceding this due date. The following schedule has been prepared assuming that this practice will be followed in future years. As of September 30, 2017, the debt service requirements on the bonds outstanding were follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,535,000	\$ 1,244,842	\$ 3,779,842
2019	2,650,000	1,169,883	3,819,883
2020	2,755,000	1,097,114	3,852,114
2021	2,885,000	1,015,171	3,900,171
2022	3,030,000	925,462	3,955,462
2023 - 2027	15,400,000	3,211,752	18,611,752
2028 - 2032	8,790,000	1,348,129	10,138,129
2033 - 2036	<u>3,640,000</u>	<u>220,587</u>	<u>3,860,587</u>
	<u>\$ 41,685,000</u>	<u>\$ 10,232,940</u>	<u>\$ 51,917,940</u>

Bonds voted	\$ 118,500,000
Bonds approved for sale and sold	54,240,000
Bonds voted and not issued	64,260,000

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. The Series 2013, 2014 and 2016 bonds 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 sanitary sewer system.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The bond issues payable at September 30, 2017, were as follows:

	<u>Series 2006</u>		
Amounts outstanding, September 30, 2017		\$335,000	
Interest rates		4.00%	
Maturity dates, serially beginning/ending		April 1, 2018	
Interest payment dates		April 1	
Callable dates		April 1, 2016*	
	<u>Series 2009</u>	<u>Refunding Series 2010</u>	<u>Series 2011</u>
Amounts outstanding, September 30, 2017	\$1,555,000	\$2,805,000	\$4,585,000
Interest rates	4.00% to 5.00%	3.625% to 4.25%	3.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2018/2021	April 1, 2018/2025	September 1, 2018/2031
Interest payment dates	March 1/September 1	April 1/October 1	March 1/September 1
Callable dates	September 1, 2018*	April 1, 2020*	September 1, 2021*
	<u>Series 2013</u>	<u>Series 2014</u>	<u>Refunding Series 2014</u>
Amounts outstanding, September 30, 2017	\$3,575,000	\$5,020,000	\$5,700,000
Interest rates	2.75% to 4.75%	2.00% to 3.75%	2.00% to 3.50%
Maturity dates, serially beginning/ending	September 1, 2018/2033	September 1, 2018/2034	April 1, 2018/2026
Interest payment dates	April 1/October 1	April 1/October 1	March 1/September 1
Callable dates	September 1, 2021*	September 1, 2022*	April 1, 2023*

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Refunding Series 2016</u>	<u>Series 2016</u>	<u>Refunding Series 2017**</u>
Amounts outstanding, September 30, 2017	\$3,980,000	\$9,260,000	\$4,870,000
Interest rates	2.51%	2.00% to 2.50%	2.62%
Maturity dates, serially beginning/ending	April 1, 2018/2027	September 1, 2018/2036	September 1, 2018/2029
Interest payment dates	April 1/October 1	April 1/October 1	March 1/September 1
Callable dates	April 1, 2024*	September 1, 2024*	Any date*

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

\*\*On August 8, 2017, the District issued \$4,870,000 in unlimited tax refunding bonds to advance refund \$4,585,000 of outstanding Series 2006 bonds. The net proceeds of \$4,831,258 (after payment of \$126,005 in underwriting fees and other issuance costs plus the District's contribution of \$87,263) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, these bonds are considered defeased and the liability for the refunded bonds has been removed from the financial statements.

The District advance refunded the bonds to reduce total debt service payments over future years by approximately \$481,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$398,000.

**NOTE 6: PROPERTY TAXES**

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

The Bond Orders requires that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

At an election held August 13, 1994, the voters within the District authorized a maintenance tax not to exceed \$1.00 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

On October 11, 2016, the District levied the following ad valorem taxes for the 2016 tax year on the adjusted taxable valuation of \$676,311,212:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.5700	\$ 3,854,974
Maintenance	<u>0.2300</u>	<u>1,555,516</u>
	<u>\$ 0.8000</u>	<u>\$ 5,410,490</u>

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

2016 tax year total property tax levy	\$ 5,410,490
Appraisal district adjustments to prior year taxes	<u>(5,241)</u>
Statement of Activities property tax revenues	<u>\$ 5,405,249</u>

**NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS**

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

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

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$11,283,054 and the bank balance was \$10,156,063. Of the bank balance, \$6,259,999 was covered by federal insurance, \$2,900,472 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Atlanta and \$995,592 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Dallas.

At the balance sheet date the carrying value and market value of the investments in the authorized private sector investment pool was \$1,644,044.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$58,450.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deposits restricted by state statutes and the Bond Orders:

Debt Service Fund

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

Cash	\$ 5,545
Certificates of deposit	4,320,000
Temporary investments	<u>146,835</u>
	<u>\$ 4,472,380</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$ 1,634,844
Temporary investments	<u>57,670</u>
	<u>\$ 1,692,514</u>

During the fiscal year ended September 30, 2017, the District reimbursed \$31,915 from the Capital Projects Fund to the General Fund with the permission of the Texas Commission on Environmental Quality.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At September 30, 2017, the District had physical damage and boiler and machinery coverage of \$15,100,173, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate and consultant's crime coverage of \$10,000.

NOTE 9: REGIONAL WATER AUTHORITY

The North Harris County Regional Water Authority (the "Authority") was created by House Bill 2965, Acts of the 76th Legislature, Regular Session 1999, and was confirmed by an election held on January 15, 2001. The Authority is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of September 30, 2017, the Authority had established a well pumpage fee of \$2.90 per 1,000 gallons of water pumped from each regulated well. The District's well pumpage fees payable to the Authority for the fiscal year ended September 30, 2017, were \$1,050,052. The District billed its customers \$990,954 during the fiscal year to pay for the fees charged by the Authority.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 10: STRATEGIC PARTNERSHIP AGREEMENT**

Effective December 13, 2010, the District and the City of Houston (the "City") entered into a 30 year Strategic Partnership Agreement (the "Agreement"). Under the terms of the Agreement, the City annexed a portion of the District (the "Partial District") for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Partial District. The Agreement states that the District and all taxable property within the District shall not be liable for any present or future debts of the City and current and future taxes levied by the City shall not be levied on taxable property with the District. The City agreed that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement.

The City imposed a Sales and Use Tax within the boundaries of the Partial District at the time of the limited-purpose annexation of the Partial District. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas. The District accrued Sales and Use Tax revenues of \$76,672 from the City for the fiscal year ended September 30, 2017, of which \$24,266 was receivable at that date.



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 1,341,370	\$ 1,341,370	\$ 1,553,447	\$ 212,077
Water service	882,000	882,000	874,120	(7,880)
Sewer service	960,000	960,000	943,453	(16,547)
Surface water fees	940,000	940,000	990,954	50,954
Penalty	45,000	45,000	48,930	3,930
Tap connection and inspection fees	65,100	65,100	402,324	337,224
Sales and Use Taxes	55,000	55,000	76,672	21,672
Interest on deposits and investments	19,900	19,900	35,214	15,314
Other revenues	30,570	30,570	47,500	16,930
<b>TOTAL REVENUES</b>	<b>4,338,940</b>	<b>4,338,940</b>	<b>4,972,614</b>	<b>633,674</b>
<b>EXPENDITURES</b>				
Service operations:				
Professional fees	165,100	165,100	200,979	35,879
Contracted services	219,000	219,000	231,370	12,370
Utilities	220,000	220,000	209,843	(10,157)
Surface water pumpage fees	940,000	940,000	1,050,052	110,052
Repairs and maintenance	414,000	414,000	438,037	24,037
Other operating expenditures	192,100	192,100	184,833	(7,267)
Security service	239,508	239,508	270,373	30,865
Garbage disposal	539,500	539,500	497,884	(41,616)
Administrative expenditures	174,650	174,650	175,240	590
Capital outlay	70,250	70,250	328,035	257,785
<b>TOTAL EXPENDITURES</b>	<b>3,174,108</b>	<b>3,174,108</b>	<b>3,586,646</b>	<b>412,538</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>1,164,832</b>	<b>1,164,832</b>	<b>1,385,968</b>	<b>221,136</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Reimbursement (to) from other fund	0	0	31,915	31,915
<b>TOTAL OTHER FINANCIAL SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>31,915</b>	<b>31,915</b>
<b>EXCESS SOURCES (USES)</b>	<b>1,164,832</b>	<b>1,164,832</b>	<b>1,417,883</b>	<b>253,051</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>5,021,657</b>	<b>5,021,657</b>	<b>5,021,657</b>	<b>0</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 6,186,489</b>	<b>\$ 6,186,489</b>	<b>\$ 6,439,540</b>	<b>\$ 253,051</b>

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

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1  
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION  
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY  
SEPTEMBER 30, 2017

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

SCHEDULE OF SERVICES AND RATES

SEPTEMBER 30, 2017

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

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

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$16.00	5,000	N	\$1.25	5,001 to 10,000
				1.50	10,001 to 15,000
				2.00	15,001 to 20,000
				2.50	Over 20,000
WASTEWATER:	\$23.50	50,000	N	\$0.50	Over 50,000
SURCHARGE:	\$3.19 per 1,000 gallons of water used. – NHCRWA surface water fees.				

District employs winter averaging for wastewater usage: Yes  No

Total charges per 10,000 gallons usage: Water: \$22.25 Wastewater: \$23.50 Surcharge: \$31.90

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

SCHEDULE OF SERVICES AND RATES (Continued)

SEPTEMBER 30, 2017

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	0	0	1.0	0
< or = 3/4"	2,370	2,347	1.0	2,347
1"	360	356	2.5	890
1-1/2"	3	3	5.0	15
2"	45	45	8.0	360
3"	1	1	15.0	15
4"	0	0	25.0	0
6"	6	6	50.0	300
8"	3	3	80.0	240
10"	0	0	115.0	0
Total Water	<u>2,788</u>	<u>2,761</u>		<u>4,167</u>
Total Wastewater	<u>2,739</u>	<u>2,716</u>	1.0	<u>2,716</u>

\*Single family equivalents

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

Gallons pumped into system (unaudited): 382,924  
 Gallons billed to customers (unaudited): 350,863

Water Accountability Ratio  
 (Gallons billed/ gallons pumped): 92%

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

Does the District have Debt Service standby fees? Yes  No

If yes, date of the most recent Commission Order: \_\_\_\_\_

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

If yes, date of the most recent Commission Order: \_\_\_\_\_

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

EXPENDITURES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CURRENT</b>				
Professional fees:				
Auditing	\$ 10,600	\$	\$	\$ 10,600
Legal	112,144			112,144
Engineering	78,235			78,235
	<u>200,979</u>	<u>0</u>	<u>0</u>	<u>200,979</u>
Contracted services:				
Bookkeeping	33,076		1,375	34,451
Operation and billing	158,351			158,351
Tax assessor-collector		2,243		2,243
Central appraisal district	39,943			39,943
	<u>231,370</u>	<u>2,243</u>	<u>1,375</u>	<u>234,988</u>
Utilities	<u>209,843</u>	<u>0</u>	<u>0</u>	<u>209,843</u>
Surface water pumpage fees	<u>1,050,052</u>	<u>0</u>	<u>0</u>	<u>1,050,052</u>
Repairs and maintenance	<u>438,037</u>	<u>0</u>	<u>0</u>	<u>438,037</u>
Other operating expenditures:				
Sludge hauling	74,915			74,915
Chemicals	25,708			25,708
Laboratory costs	33,459			33,459
Inspection costs	12,651			12,651
Reconnection costs	24,163			24,163
TCEQ assessment	8,987			8,987
Other	4,950			4,950
	<u>184,833</u>	<u>0</u>	<u>0</u>	<u>184,833</u>
Security service	<u>270,373</u>	<u>0</u>	<u>0</u>	<u>270,373</u>
Garbage disposal	<u>497,884</u>	<u>0</u>	<u>0</u>	<u>497,884</u>
Administrative expenditures:				
Director's fees	15,300			15,300
Office supplies and postage	64,712			64,712
Insurance	25,242			25,242
Permit fees	15,482			15,482
Other	54,504	78	0	54,582
	<u>175,240</u>	<u>78</u>	<u>0</u>	<u>175,318</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

EXPENDITURES (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CAPITAL OUTLAY</b>				
Authorized expenditures	\$ 131,594	\$	\$ 340,042	\$ 471,636
Tap connection costs	196,441			196,441
	<u>328,035</u>	<u>0</u>	<u>340,042</u>	<u>668,077</u>
<b>DEBT SERVICE</b>				
Principal retirement	<u>0</u>	<u>2,355,000</u>	<u>0</u>	<u>2,355,000</u>
Refunding contribution	<u>0</u>	<u>87,263</u>	<u>0</u>	<u>87,263</u>
Interest and fees:				
Interest		1,318,690		1,318,690
Paying agent fees		2,850		2,850
	<u>0</u>	<u>1,321,540</u>	<u>0</u>	<u>1,321,540</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 3,586,646</u>	<u>\$ 3,766,124</u>	<u>\$ 341,417</u>	<u>\$ 7,694,187</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

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

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS</b>				
Cash receipts from revenues excluding maintenance taxes	\$ 3,395,011	\$ 3,917,547	\$ 6,491	\$ 7,319,049
Maintenance tax receipts		1,553,447		1,553,447
Transfer of maintenance taxes	1,553,447			1,553,447
Proceeds from sale of bonds	12,737	4,857,263		4,870,000
Increase in customer and builder deposits	22,410			22,410
Reimbursement from other fund			31,915	31,915
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED</b>	<u>4,983,605</u>	<u>10,328,257</u>	<u>38,406</u>	<u>15,350,268</u>
<b>APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS</b>				
Cash disbursements for:				
Current expenditures	3,215,185	2,321	1,375	3,218,881
Capital outlay	328,035		331,181	659,216
Debt service		3,763,803		3,763,803
Other fund				0
Transfer of maintenance taxes		1,553,447		1,553,447
Payment to refunding escrow agent		4,831,258		4,831,258
Refunding bond issuance expenditures		38,742		38,742
Prepaid bond issuance expenditures	56,448			56,448
Reimbursement to other fund	31,915			31,915
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED</b>	<u>3,631,583</u>	<u>10,189,571</u>	<u>332,556</u>	<u>14,153,710</u>
<b>INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS</b>	1,352,022	138,686	(294,150)	1,196,558
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR</b>	<u>5,468,632</u>	<u>4,333,694</u>	<u>1,986,664</u>	<u>11,788,990</u>
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR</b>	<u>\$ 6,820,654</u>	<u>\$ 4,472,380</u>	<u>\$ 1,692,514</u>	<u>\$12,985,548</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

SEPTEMBER 30, 2017

GENERAL FUND	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
Certificates of Deposit				
No. 80000689	1.00%	8/17/18	\$ 240,000	\$ 289
No. 4189343	0.40%	12/19/17	240,000	750
No. 0460018721	0.80%	3/13/18	240,000	1,057
No. 1550000846	0.75%	7/12/18	240,000	395
No. 13793	0.51%	1/18/18	240,000	855
No. 3116003354	0.83%	4/21/18	240,000	884
No. 6000022811	0.50%	1/18/18	240,000	838
No. 2003558	0.50%	2/22/18	240,000	723
No. 1002854445	0.75%	5/19/18	240,000	666
No. 407	1.00%	1/14/18	240,000	1,111
No. 66000361	0.80%	7/17/18	240,000	395
No. 6738191585	0.51%	3/20/18	240,000	651
No. 100142197	0.40%	11/14/17	240,000	750
No. 9009004034	0.45%	10/16/17	240,000	926
No. 1113230819	0.75%	6/21/18	240,000	498
No. 442939	0.90%	2/23/18	<u>240,000</u>	<u>1,295</u>
			<u>\$ 3,840,000</u>	<u>\$ 12,083</u>
TexPool				
No. 4491017200001	Market	On demand	<u>\$ 526</u>	<u>\$ 0</u>
Texas CLASS				
No. TX-01-0583-0001	Market	On demand	<u>\$ 1,497,463</u>	<u>\$ 0</u>

See accompanying independent auditor's report.



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS (Continued)

SEPTEMBER 30, 2017

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
<b>DEBT SERVICE FUND</b>				
Certificates of Deposit				
No. 1002854453	0.60%	8/21/18	\$ 240,000	\$ 270
No. 66000360	1.10%	3/18/18	240,000	297
No. 6738845259	1.05%	3/16/18	240,000	1,367
No. 6741470193	0.51%	3/19/18	240,000	661
No. 6747508036	1.03%	2/13/18	720,000	3,942
No. 6747509946	0.67%	8/14/18	240,000	53
No. 100142154	1.10%	8/21/18	240,000	289
No. 9009004033	1.10%	8/17/18	240,000	311
No. 474130	0.90%	8/09/18	240,000	308
No. 220006828	0.90%	8/20/18	240,000	243
No. 312835	1.00%	8/20/18	240,000	270
No. 0460018553	0.80%	3/12/18	240,000	1,063
No. 14398	0.40%	2/07/18	240,000	526
No. 3216000123	0.83%	3/12/18	240,000	1,102
No. 600022803	1.00%	8/16/18	240,000	296
No. 7871	0.40%	2/07/18	<u>240,000</u>	<u>523</u>
			<u>\$ 4,320,000</u>	<u>\$ 11,521</u>
TexPool				
No. 4491017200002	Market	On demand	<u>\$ 254</u>	<u>\$ 0</u>
Texas CLASS				
No. TX-01-0583-0002	Market	On demand	<u>\$ 146,581</u>	<u>\$ 0</u>
<b>CAPITAL PROJECTS FUND</b>				
TexPool				
No. 4491017200003	Market	On demand	<u>\$ 57,670</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 9,862,494</u>	<u>\$ 23,604</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1TAXES LEVIED AND RECEIVABLEFOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 18,763	\$ 123,824
Additions and corrections to prior year taxes	<u>(1,200)</u>	<u>(4,041)</u>
Adjusted receivable, beginning of year	17,563	119,783
2016 ADJUSTED TAX ROLL	<u>1,555,516</u>	<u>3,854,974</u>
Total to be accounted for	1,573,079	3,974,757
Tax collections: Current tax year	(1,546,370)	(3,832,309)
Prior tax years	<u>(7,071)</u>	<u>(33,720)</u>
RECEIVABLE, END OF YEAR	<u>\$ 19,638</u>	<u>\$ 108,728</u>

## RECEIVABLE, BY TAX YEAR

2006 and prior	\$ 314	\$ 6,342
2007	135	2,736
2008	341	6,830
2009	235	4,698
2010	446	8,825
2011	446	8,835
2012	531	10,413
2013	687	9,323
2014	3,851	16,902
2015	3,506	11,159
2016	<u>9,146</u>	<u>22,665</u>
RECEIVABLE, END OF YEAR	<u>\$ 19,638</u>	<u>\$ 108,728</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2017

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 676,311,212</u>	<u>\$ 595,106,521</u>	<u>\$ 481,707,672</u>	<u>\$ 378,002,692</u>
 TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.57000	\$ 0.70000	\$ 0.79000	\$ 0.95000
Maintenance tax rates*	<u>0.23000</u>	<u>0.22000</u>	<u>0.18000</u>	<u>0.07000</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.80000</u>	<u>\$ 0.92000</u>	<u>\$ 0.97000</u>	<u>\$ 1.02000</u>
 TAX ROLLS				
	<u>\$ 5,410,490</u>	<u>\$ 5,474,979</u>	<u>\$ 4,672,565</u>	<u>\$ 3,855,874</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED				
	<u>99.4 %</u>	<u>99.7 %</u>	<u>99.6 %</u>	<u>99.7 %</u>

\*Maximum tax rate approved by voters on August 13, 1994: \$1.00

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS  
SEPTEMBER 30, 2017

The District has been paying the amount due October 1 within the fiscal year preceding this due date. The following schedule has been prepared assuming that this practice will be followed in future years. As of September 30, 2017, the debt service requirements on the bonds outstanding were follows:

<u>Series 2006</u>			
<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due April 1</u>	<u>Interest Due April 1, October 1</u>	<u>Total</u>
2018	\$ 335,000	\$ 6,700	\$ 341,700
 <u>Series 2009</u> 			
<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1 September 1</u>	<u>Total</u>
2018	\$ 355,000	\$ 272,698	\$ 627,698
2019	375,000	254,948	629,948
2020	400,000	239,948	639,948
2021	425,000	223,948	648,948
2022	455,000	206,948	661,948
2023	485,000	188,292	673,292
2024	515,000	167,922	682,922
2025	550,000	145,778	695,778
2026	585,000	121,852	706,852
2027	625,000	95,528	720,528
2028	665,000	66,466	731,466
2029	705,000	34,544	739,544
TOTALS	<u>\$ 6,140,000</u>	<u>\$ 2,018,872</u>	<u>\$ 8,158,872</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

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

SEPTEMBER 30, 2017

Series 2010 Refunding			
<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due April 1</u>	<u>Interest Due March 1 September 1</u>	<u>Total</u>
2018	\$ 295,000	\$ 106,985	\$ 401,985
2019	310,000	95,826	405,826
2020	325,000	83,512	408,512
2021	340,000	70,213	410,213
2022	360,000	56,212	416,212
2023	370,000	41,612	411,612
2024	390,000	25,925	415,925
2025	415,000	8,819	423,819
TOTALS	<u>\$ 2,805,000</u>	<u>\$ 489,104</u>	<u>\$ 3,294,104</u>

Series 2011			
<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1 September 1</u>	<u>Total</u>
2018	\$ 225,000	\$ 178,750	\$ 403,750
2019	240,000	172,000	412,000
2020	250,000	164,800	414,800
2021	265,000	154,800	419,800
2022	280,000	144,200	424,200
2023	295,000	133,000	428,000
2024	310,000	121,200	431,200
2025	330,000	108,800	438,800
2026	345,000	95,600	440,600
2027	365,000	81,800	446,800
2028	385,000	67,200	452,200
2029	410,000	51,800	461,800
2030	430,000	35,400	465,400
2031	455,000	18,200	473,200
TOTALS	<u>\$ 4,585,000</u>	<u>\$ 1,527,550</u>	<u>\$ 6,112,550</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
SEPTEMBER 30, 2017

<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2013</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 150,000	\$ 143,066	\$ 293,066
2019	160,000	138,941	298,941
2020	165,000	134,541	299,541
2021	175,000	130,004	305,004
2022	185,000	124,579	309,579
2023	195,000	118,381	313,381
2024	200,000	111,556	311,556
2025	210,000	104,156	314,156
2026	225,000	95,966	320,966
2027	235,000	86,966	321,966
2028	245,000	77,273	322,273
2029	260,000	66,738	326,738
2030	270,000	55,298	325,298
2031	285,000	42,608	327,608
2032	300,000	29,212	329,212
2033	315,000	14,962	329,962
TOTALS	<u>\$ 3,575,000</u>	<u>\$ 1,474,247</u>	<u>\$ 5,049,247</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

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

SEPTEMBER 30, 2017

<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2014</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 190,000	\$ 152,425	\$ 342,425
2019	200,000	148,625	348,625
2020	210,000	144,625	354,625
2021	220,000	140,425	360,425
2022	235,000	136,025	371,025
2023	245,000	130,150	375,150
2024	260,000	124,025	384,025
2025	270,000	116,875	386,875
2026	285,000	109,450	394,450
2027	300,000	101,612	401,612
2028	320,000	92,613	412,613
2029	335,000	82,212	417,212
2030	350,000	71,325	421,325
2031	370,000	59,075	429,075
2032	390,000	46,125	436,125
2033	410,000	31,500	441,500
2034	430,000	16,125	446,125
TOTALS	<u>\$ 5,020,000</u>	<u>\$ 1,703,212</u>	<u>\$ 6,723,212</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

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

SEPTEMBER 30, 2017

The District has been paying the amount due October 1 within the fiscal year preceding this due date. The following schedule has been prepared assuming that this practice will be followed in future years. As of September 30, 2017, the debt service requirements on the bonds outstanding were follows:

Series 2014 Refunding			
<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due April 1</u>	<u>Interest Due April 1, October 1</u>	<u>Total</u>
2018	\$ 560,000	\$ 158,375	\$ 718,375
2019	575,000	147,025	722,025
2020	590,000	135,375	725,375
2021	615,000	120,250	735,250
2022	640,000	101,425	741,425
2023	675,000	81,700	756,700
2024	705,000	59,237	764,237
2025	735,000	34,038	769,038
2026	605,000	10,588	615,588
TOTALS	<u>\$ 5,700,000</u>	<u>\$ 848,013</u>	<u>\$ 6,548,013</u>

Series 2016 Refunding			
<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due October 1</u>	<u>Interest Due April 1, October 1</u>	<u>Total</u>
2018	\$ 30,000	\$ 99,522	\$ 129,522
2019	380,000	94,376	474,376
2020	395,000	84,650	479,650
2021	410,000	74,547	484,547
2022	425,000	64,068	489,068
2023	435,000	53,274	488,274
2024	450,000	42,168	492,168
2025	470,000	30,622	500,622
2026	485,000	18,637	503,637
2027	500,000	6,275	506,275
TOTALS	<u>\$ 3,980,000</u>	<u>\$ 568,139</u>	<u>\$ 4,548,139</u>

See accompanying independent auditor's report.



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

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

SEPTEMBER 30, 2017

<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2016</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 350,000	\$ 205,675	\$ 555,675
2019	365,000	198,675	563,675
2020	375,000	191,375	566,375
2021	390,000	183,875	573,875
2022	405,000	176,075	581,075
2023	415,000	167,975	582,975
2024	430,000	159,675	589,675
2025	445,000	151,075	596,075
2026	460,000	142,175	602,175
2027	480,000	132,975	612,975
2028	495,000	123,375	618,375
2029	515,000	112,237	627,237
2030	530,000	100,650	630,650
2031	550,000	88,725	638,725
2032	570,000	75,663	645,663
2033	590,000	62,125	652,125
2034	610,000	47,375	657,375
2035	630,000	32,125	662,125
2036	655,000	16,375	671,375
TOTALS	<u>\$ 9,260,000</u>	<u>\$ 2,368,200</u>	<u>\$ 11,628,200</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
SEPTEMBER 30, 2017

<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2017</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 45,000	\$ 127,594	\$ 172,594
2019	45,000	126,415	171,415
2020	45,000	125,236	170,236
2021	45,000	124,057	169,057
2022	500,000	122,878	622,878
2023	525,000	109,778	634,778
2024	545,000	96,023	641,023
2025	570,000	81,744	651,744
2026	600,000	66,810	666,810
2027	625,000	51,090	676,090
2028	650,000	34,715	684,715
2029	675,000	17,685	692,685
<b>TOTALS</b>	<b><u>\$ 4,870,000</u></b>	<b><u>\$ 1,084,025</u></b>	<b><u>\$ 5,954,025</u></b>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

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

SEPTEMBER 30, 2017

The District has been paying the amount due October 1 within the fiscal year preceding this due date. The following schedule has been prepared assuming that this practice will be followed in future years. As of September 30, 2017, the debt service requirements on the bonds outstanding were follows:

<u>Due During Fiscal Years Ending September 30</u>	<u>Annual Requirements for All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2018	\$ 2,535,000	\$ 1,244,842	\$ 3,779,842
2019	2,650,000	1,169,883	3,819,883
2020	2,755,000	1,097,114	3,852,114
2021	2,885,000	1,015,171	3,900,171
2022	3,030,000	925,462	3,955,462
2023	3,155,000	835,870	3,990,870
2024	3,290,000	739,809	4,029,809
2025	3,445,000	636,129	4,081,129
2026	3,005,000	539,226	3,544,226
2027	2,505,000	460,718	2,965,718
2028	2,095,000	395,176	2,490,176
2029	2,195,000	330,672	2,525,672
2030	1,580,000	262,673	1,842,673
2031	1,660,000	208,608	1,868,608
2032	1,260,000	151,000	1,411,000
2033	1,315,000	108,587	1,423,587
2034	1,040,000	63,500	1,103,500
2035	630,000	32,125	662,125
2036	655,000	16,375	671,375
<b>TOTALS</b>	<b><u>\$ 41,685,000</u></b>	<b><u>\$ 10,232,940</u></b>	<b><u>\$ 51,917,940</u></b>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1  
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Bond Series:	2006	2009	2010R
Interest Rate:	4.00%	4.00% to 5.00%	3.625% to 4.25%
Dates Interest Payable:	April 1/ October 1	March 1/ September 1	April 1/ October 1
Maturity Dates:	April 1, 2018	September 1, 2018/2029	April 1, 2018/2025
Bonds Outstanding at Beginning of Current Year	\$ 655,000	\$ 6,470,000	\$ 3,090,000
Less Retirements	<u>(320,000)</u>	<u>(4,915,000)</u>	<u>(285,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 335,000</u>	<u>\$ 1,555,000</u>	<u>\$ 2,805,000</u>
Current Year Interest Paid:	<u>\$ 19,800</u>	<u>\$ 185,724</u>	<u>\$ 117,498</u>

Bond Descriptions and Original Amount of Issue

- (1) Harris County Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2006 (\$6,790,000)  
(2) Harris County Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2009 (\$8,300,000)  
(3) Harris County Municipal Utility District No. 1 Unlimited Tax Refunding Bonds, Series 2010  
(\$4,345,000)

Paying Agent/Registrar

(1) (2) (3) Wells Fargo Bank, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds*</u>	<u>Other Bonds</u>	<u>Refunding Bonds*</u>
Amount Authorized by Voters:	\$ 118,500,000	\$ 0	\$ 0
Amount Issued:	54,240,000		
Remaining to be Issued:	64,260,000		

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>(4)</u>	<u>(5)</u>	<u>(6)</u>	<u>(7)</u>
Bond Series:	2011	2013	2014	2014R
Interest Rate:	3.00% to 4.00%	2.75% to 4.75%	2.00% to 3.75%	2.00% to 3.50%
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity Dates:	September 1, 2018/2031	September 1, 2018/2033	September 1, 2018/2034	September 1, 2018/2026
Bonds Outstanding at Beginning of Current Year	\$ 4,800,000	\$ 3,720,000	\$ 5,200,000	\$ 6,235,000
Less Retirements	<u>(215,000)</u>	<u>(145,000)</u>	<u>(180,000)</u>	<u>(535,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 4,585,000</u>	<u>\$ 3,575,000</u>	<u>\$ 5,020,000</u>	<u>\$ 5,700,000</u>
Current Year Interest Paid:	<u>\$ 185,200</u>	<u>\$ 147,053</u>	<u>\$ 156,025</u>	<u>\$ 169,325</u>

Bond Descriptions and Original Amount of Issue

- (4) Harris County Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2011 (\$5,700,000)
- (5) Harris County Municipal Utility District No. 1 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2013 (\$4,110,000)
- (6) Harris County Municipal Utility District No. 1 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2014 (\$5,370,000)
- (7) Harris County Municipal Utility District No. 1 Unlimited Tax Refunding Bonds, Series 2014 (\$7,025,000)

Paying Agent/Registrar

- (4) Wells Fargo Bank, N.A., Dallas, Texas
- (5) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
- (6) (7) Amegy Bank, N.A., Houston, Texas

Net Debt Service Fund deposits balances as of September 30, 2017:	\$4,496,638
Average annual debt service payment for remaining term of all debt:	2,732,523

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>(8)</u>	<u>(9)</u>	<u>(10)</u>	<u>Totals</u>
Bond Series:	2016R	2016	2017	
Interest Rate:	2.51%	2.00% to 2.50%	2.62%	
Dates Interest Payable:	April 1/ October 1	March 1/ September 1	March 1/ September 1	
Maturity Dates:	April 1, 2018/2027	September 1, 2018/2036	September 1, 2018/2029	
Bonds Outstanding at Beginning of Current Year	\$ 4,010,000	\$ 9,575,000	\$ 0	\$ 43,755,000
Add Bonds Sold			4,870,000	4,870,000
Less Retirements	<u>(30,000)</u>	<u>(315,000)</u>	<u>          </u>	<u>(6,940,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 3,980,000</u>	<u>\$ 9,260,000</u>	<u>\$ 4,870,000</u>	<u>\$ 41,685,000</u>
Current Year Interest Paid:	<u>\$ 100,273</u>	<u>\$ 229,640</u>	<u>\$ 8,152</u>	<u>\$ 1,318,690</u>

Bond Descriptions and Original Amount of Issue

- (8) Harris County Municipal Utility District No. 1 Unlimited Tax Refunding Bonds, Series 2016 (\$4,010,000)
- (9) Harris County Municipal Utility District No. 1 Unlimited Tax and Revenue Bonds, Series 2016 (\$9,575,000)
- (10) Harris County Municipal Utility District No. 1 Unlimited Tax Refunding Bonds, Series 2017 (\$4,870,000)

Paying Agent/Registrar

- (8) Branch Banking and Trust Company, Charlotte, North Carolina
- (9) (10) Amegy Bank, N.A., Houston, Texas

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
GENERAL FUND

FOR YEARS ENDED SEPTEMBER 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
REVENUES										
Property taxes	\$ 1,553,447	\$ 1,304,721	\$ 860,638	\$ 262,949	\$ 166,520	31.2 %	31.7 %	24.3 %	9.4 %	6.3 %
Water service	874,120	853,504	807,171	774,232	737,031	17.6	20.7	22.8	27.8	28.2
Sewer service	943,453	932,179	906,932	753,785	693,462	19.0	22.6	25.6	26.9	26.4
Surface water fees	990,954	791,764	612,178	605,588	562,985	19.9	19.2	17.3	21.6	21.5
Penalty	48,930	51,134	20,610	24,675	22,165	1.0	1.2	0.6	0.9	0.8
Tap connection and inspection fees	402,324	94,525	231,496	300,695	365,494	8.1	2.3	6.5	10.7	13.9
Sales and Use Taxes	76,672	55,954	56,513	37,271	31,197	1.5	1.4	1.6	1.3	1.2
Interest on deposits and investments	35,214	14,222	3,181	1,190	2,560	0.7	0.3	0.1	0.0	0.1
Other revenues	47,500	24,733	42,960	38,303	41,007	1.0	0.6	1.2	1.4	1.6
TOTAL REVENUES	<u>4,972,614</u>	<u>4,122,736</u>	<u>3,541,679</u>	<u>2,798,688</u>	<u>2,622,421</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Service operations:										
Professional fees	200,979	198,665	153,285	190,914	168,750	4.0	4.8	4.3	6.8	6.4
Contracted services	231,370	230,121	203,775	189,698	166,177	4.7	5.6	5.8	6.6	6.3
Utilities	209,843	219,909	207,760	208,052	184,673	4.2	5.3	5.9	7.4	7.0
Surface water fees	1,050,052	818,627	624,962	590,535	526,867	21.2	19.9	17.6	21.1	20.2
Repairs and maintenance	438,037	395,784	285,130	324,720	352,741	8.8	9.6	8.1	11.6	13.5
Other operating expenditures	184,833	184,462	169,897	217,168	173,672	3.7	4.5	4.8	7.8	6.6
Security service	270,373	203,269	208,072	188,047	182,720	5.4	4.9	5.9	6.7	7.0
Garbage disposal	497,884	514,031	482,287	436,928	394,698	10.0	12.5	13.6	15.6	15.1
Administrative expenditures	175,240	151,139	160,797	145,049	124,121	3.5	3.7	4.5	5.4	4.7
Capital outlay	328,035	108,278	120,853	149,209	142,401	6.6	2.6	3.4	5.3	5.4
TOTAL EXPENDITURES	<u>3,586,646</u>	<u>3,024,285</u>	<u>2,616,818</u>	<u>2,640,320</u>	<u>2,416,820</u>	<u>72.1</u>	<u>73.4</u>	<u>73.9</u>	<u>94.3</u>	<u>92.2</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 1,385,968</u>	<u>\$ 1,098,451</u>	<u>\$ 924,861</u>	<u>\$ 158,368</u>	<u>\$ 205,601</u>	<u>27.9 %</u>	<u>26.6 %</u>	<u>26.1 %</u>	<u>5.7 %</u>	<u>7.8 %</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>2,761</u>	<u>2,711</u>	<u>2,615</u>	<u>2,479</u>	<u>2,298</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>2,716</u>	<u>2,666</u>	<u>2,595</u>	<u>2,443</u>	<u>2,264</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
DEBT SERVICE FUND  
FOR YEARS ENDED SEPTEMBER 30

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>REVENUES</b>										
Property taxes	\$ 3,866,029	\$ 3,795,098	\$ 3,572,487	\$ 3,264,085	\$ 3,123,750	98.4 %	99.3 %	99.2 %	97.3 %	99.0 %
Penalty, interest and other	19,051	19,119	25,489	82,886	10,279	0.5	0.5	0.7	2.5	0.3
Accrued interest on bonds received at date of sale	0	3,175	4,428	4,821	15,326	0.0	0.1	0.1	0.1	0.5
Interest on deposits and investments	42,950	3,252	1,598	4,299	5,519	1.1	0.1	0.0	0.1	0.2
<b>TOTAL REVENUES</b>	<b><u>3,928,030</u></b>	<b><u>3,820,644</u></b>	<b><u>3,604,002</u></b>	<b><u>3,356,091</u></b>	<b><u>3,154,874</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>
<b>EXPENDITURES</b>										
Current:										
Contracted services	2,243	2,645	4,004	3,975	48,562	0.1	0.1	0.1	0.1	1.5
Other expenditures	78	0	7,602	12,729	14,339	0.0	0.0	0.2	0.4	0.4
Debt service:										
Principal retirement	2,355,000	2,220,000	2,120,000	1,890,000	1,620,000	60.0	58.1	58.9	56.3	51.4
Refunding contribution	87,263	0	0	0	0	2.2	0.0	0.0	0.0	0.0
Interest and fees	1,321,540	1,393,889	1,420,139	1,339,131	1,557,050	33.6	36.5	39.4	39.9	49.4
<b>TOTAL EXPENDITURES</b>	<b><u>3,766,124</u></b>	<b><u>3,616,534</u></b>	<b><u>3,551,745</u></b>	<b><u>3,245,835</u></b>	<b><u>3,239,951</u></b>	<b><u>95.9</u></b>	<b><u>94.7</u></b>	<b><u>98.6</u></b>	<b><u>96.7</u></b>	<b><u>102.7</u></b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b><u>\$ 161,906</u></b>	<b><u>\$ 204,110</u></b>	<b><u>\$ 52,257</u></b>	<b><u>\$ 110,256</u></b>	<b><u>\$ (85,077)</u></b>	<b><u>4.1 %</u></b>	<b><u>5.3 %</u></b>	<b><u>1.4 %</u></b>	<b><u>3.3 %</u></b>	<b><u>(2.7) %</u></b>



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSSEPTEMBER 30, 2017

Complete District Mailing Address: Harris County Municipal Utility District No. 1  
c/o Smith, Murdaugh, Little & Bonham, L.L.P.  
2727 Allen Parkway, Suite 1100  
Houston, Texas 77019

District Business Telephone No.: 713-652-6500

Submission date of the most recent District Registration Form: May 13, 2017

Limit on Fees of Office that a Director may receive during a fiscal year: \$6,000

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Doug Caldwell, Jr. c/o Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019	Elected 5/10/14- 5/05/18	\$ 4,800	\$ 2,934	President
Craig C. Young c/o Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019	Elected 5/07/16- 5/02/20	2,400	1,050	Vice President
James E. Roberson c/o Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019	Elected 5/10/14- 5/05/18	3,450	2,478	Secretary
Danny Brown c/o Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019	Appointed 5/10/16- 5/02/20	2,850	1,357	Director
Vaughn Vratil c/o Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019	Appointed 2/14/17- 5/05/18	1,350	248	Director

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

SEPTEMBER 30, 2017

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019	6/07/72	\$ 115,602 55,500 Bonds	Attorney
Municipal Accounts & Consulting, L.P. 1281 Brittmoore Road Houston, Texas 77043	12/31/15	38,587 1,200 Bonds	Bookkeeper
Mark Burton, Ghia Lewis 1281 Brittmoore Road Houston, Texas 77043	12/31/15	0	Investment Officer
Hays Utility South Corporation P.O. Box 1209 Spring, Texas 77383	6/23/76	720,053	Operator
Van De Wiele & Vogler, Inc. 2925 Briarpark, Suite 275 Houston, Texas 77042	4/09/02	225,080	Engineer
Harris County Tax Office P.O. Box 4663 Houston, Texas 77210	9/01/12	2,243	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	39,943	Central Appraisal District
R. W. Baird & Co. 1331 Lamar, Suite 1360 Houston, Texas 77010	3/10/15	48,749 Bonds	Financial Advisor
Roth & Eyring, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	10/14/08	10,600 Bonds	Independent Auditor

See accompanying independent auditor's report.