

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50**

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50**

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Water Control
and Improvement District No. 50
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Water Control and Improvement District No. 50 (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Management’s discussion and analysis of Harris County Water Control and Improvement District No. 50’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for customer service revenues, tax revenues and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets and deferred outflows exceeded liabilities by \$3,468,483 as of June 30, 2017. A portion of the District’s net position reflects its net investment in capital assets (buildings and equipment as well as the water, sewer and drainage facilities, less any debt used to acquire those assets that is still outstanding). The following is the summary of the Statement of Net Position as of June 30, 2017, and June 30, 2016:

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2017	2016	Change Positive (Negative)
Current and Other Assets	\$ 5,706,384	\$ 5,853,057	\$ (146,673)
Capital Assets (Net of Accumulated Depreciation)	<u>2,598,845</u>	<u>2,327,188</u>	<u>271,657</u>
Total Assets	<u>\$ 8,305,229</u>	<u>\$ 8,180,245</u>	<u>\$ 124,984</u>
Deferred Outflows of Resources	\$ 71,571	\$ 73,958	\$ (2,387)
Bonds Payable	\$ 4,575,000	\$ 4,690,000	\$ 115,000
Other Liabilities	<u>333,317</u>	<u>397,402</u>	<u>64,085</u>
Total Liabilities	<u>\$ 4,908,317</u>	<u>\$ 5,087,402</u>	<u>\$ 179,085</u>
Net Position:			
Net Investment in Capital Assets	\$ 644,620	\$ 577,136	\$ 67,484
Restricted	331,537	297,038	34,499
Unrestricted	<u>2,492,326</u>	<u>2,292,627</u>	<u>199,699</u>
Total Net Position	<u>\$ 3,468,483</u>	<u>\$ 3,166,801</u>	<u>\$ 301,682</u>

The following table provides a summary of the District's operations for the years ended June 30, 2017, and June 30, 2016.

	Summary of Changes in the Statement of Activities		
	2017	2016	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 836,865	\$ 769,761	\$ 67,104
Charges for Services	798,300	812,869	(14,569)
Other Revenues	<u>24,422</u>	<u>21,658</u>	<u>2,764</u>
Total Revenues	<u>\$ 1,659,587</u>	<u>\$ 1,604,288</u>	<u>\$ 55,299</u>
Expenses for Services	<u>1,357,905</u>	<u>1,123,016</u>	<u>(234,889)</u>
Change in Net Position	\$ 301,682	\$ 481,272	\$ (179,590)
Net Position, Beginning of Year	<u>3,166,801</u>	<u>2,685,529</u>	<u>481,272</u>
Net Position, End of Year	<u>\$ 3,468,483</u>	<u>\$ 3,166,801</u>	<u>\$ 301,682</u>

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2017, were \$5,569,608, a decrease of \$95,605 from the prior year.

The General Fund fund balance increased by \$193,163, primarily due to operating revenues being higher than operating costs.

The Debt Service Fund fund balance increased by \$30,405, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$319,173. The District used bond proceeds received in a prior year to pay for current year projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$193,946 more than budgeted revenues primarily due to higher than expected service and property tax revenues. Actual expenditures were \$54,983 more than budgeted expenditures primarily due to capital expenditures that were not budgeted and higher than expected repairs and maintenance expenditures.

CAPITAL ASSETS

Capital assets as of June 30, 2017, total \$2,598,845 (net of accumulated depreciation) and include land, buildings and equipment as well as the water, sewer and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2017	2016	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 18,333	\$ 18,333	\$
Construction in Progress	72,628	873,333	(800,705)
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Equipment	151,396	136,509	14,887
Water, Sewer, and Drainage Facilities	2,356,488	1,299,013	1,057,475
Total Net Capital Assets	\$ 2,598,845	\$ 2,327,188	\$ 271,657

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

LONG-TERM DEBT ACTIVITY

As of June 30, 2017, the District had total bond debt payable of \$4,575,000. The changes in the debt position of the District during the fiscal year ended June 30, 2017, are summarized as follows:

Bond Debt Payable, July 1, 2016	\$ 4,690,000
Less: Bond Principal Paid	<u>115,000</u>
Bond Debt Payable, June 30, 2017	<u><u>\$ 4,575,000</u></u>

The District bonds carry an underlying rating of “A3” issued by Standard & Poor’s. The Series 2015 bonds carry an insured rating of “AA” by virtue of bond insurance issued by Assured Guaranty Municipal. These ratings were in effect for the current and prior fiscal years.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Water Control and Improvement District No. 50, 1122 Cedar Lane, El Lago, Texas 77586-6004.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2017**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 1,861,851	\$ 347,539
Investments	722,376	
Receivables:		
Property Taxes	18,558	6,395
Penalty and Interest on Delinquent Taxes		
Service Accounts	67,818	
Other	3,099	
Inventory	43,353	
Due from Other Funds	8,806	21,497
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 2,725,861	\$ 375,431
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Plan Charges	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,725,861	\$ 375,431

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 2,629,581	\$ 4,838,971 722,376	\$	\$ 4,838,971 722,376
	24,953		24,953
	67,818	5,814	5,814
	3,099		67,818
	43,353		3,099
	30,303	(30,303)	43,353
		18,333	18,333
		72,628	72,628
		2,507,884	2,507,884
<u>\$ 2,629,581</u>	<u>\$ 5,730,873</u>	<u>\$ 2,574,356</u>	<u>\$ 8,305,229</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 71,571</u>	<u>\$ 71,571</u>
<u>\$ 2,629,581</u>	<u>\$ 5,730,873</u>	<u>\$ 2,645,927</u>	<u>\$ 8,376,800</u>

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

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2017**

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 30,146	\$
Accrued Interest Payable		
Due to Other Funds	21,497	
Security Deposits	75,863	
Net Pension Liability		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 127,506</u>	<u>\$ -0-</u>
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 18,558</u>	<u>\$ 6,395</u>
 FUND BALANCES		
Nonspendable:		
Inventory	\$ 43,353	\$
Restricted for Authorized Construction		
Restricted for Debt Service		369,036
Unassigned	<u>2,536,444</u>	
TOTAL FUND BALANCES	<u>\$ 2,579,797</u>	<u>\$ 369,036</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,725,861</u>	<u>\$ 375,431</u>
 NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 30,146	\$	\$ 30,146
		49,708	49,708
8,806	30,303	(30,303)	
	75,863		75,863
		177,600	177,600
		120,000	120,000
		4,455,000	4,455,000
<u>\$ 8,806</u>	<u>\$ 136,312</u>	<u>\$ 4,772,005</u>	<u>\$ 4,908,317</u>
<u>\$ -0-</u>	<u>\$ 24,953</u>	<u>\$ (24,953)</u>	<u>\$ -0-</u>
\$	\$ 43,353	\$ (43,353)	\$
2,620,775	2,620,775	(2,620,775)	
	369,036	(369,036)	
	2,536,444	(2,536,444)	
<u>\$ 2,620,775</u>	<u>\$ 5,569,608</u>	<u>\$ (5,569,608)</u>	<u>\$ - 0 -</u>
<u>\$ 2,629,581</u>	<u>\$ 5,730,873</u>		
		\$ 644,620	\$ 644,620
		331,537	331,537
		2,492,326	2,492,326
		<u>\$ 3,468,483</u>	<u>\$ 3,468,483</u>

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

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total Fund Balance - Governmental Funds	\$	5,569,608
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Portions of the change in net pension liability that are not immediately recognized as pension expense are recorded as deferred outflows of resources.		71,571
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		2,598,845
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Deferred tax revenues and penalty and interest receivable on delinquent taxes for the 2016 and prior tax levies became part of recognized revenue in the governmental activities of the District.		30,767
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$	(49,708)	
Net Pension Liability		(177,600)	
Bonds Payable		<u>(4,575,000)</u>	<u>(4,802,308)</u>

Total Net Position - Governmental Activities	\$	<u><u>3,468,483</u></u>
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The accompanying notes to the financial statements are an integral part of this report.

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**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 526,720	\$ 296,430
Water Service	446,188	
Wastewater Service	340,169	
Penalty and Interest	10,947	
Miscellaneous Revenues	<u>24,422</u>	
TOTAL REVENUES	<u>\$ 1,348,446</u>	<u>\$ 296,430</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Personnel	\$ 492,465	\$
Professional Fees	130,249	750
Purchased Water Service	101,342	
Utilities	57,090	
Repairs and Maintenance	138,971	
Depreciation		
Other	209,936	
Capital Outlay	25,230	
Debt Service:		
Bond Principal		115,000
Bond Interest		<u>150,275</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 1,155,283</u>	<u>\$ 266,025</u>
NET CHANGE IN FUND BALANCES	\$ 193,163	\$ 30,405
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2016	<u>2,386,634</u>	<u>338,631</u>
FUND BALANCES/NET POSITION - JUNE 30, 2017	<u>\$ 2,579,797</u>	<u>\$ 369,036</u>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 823,150	\$ 13,715	\$ 836,865
	446,188		446,188
	340,169		340,169
	10,947	996	11,943
	24,422		24,422
<u>\$ - 0 -</u>	<u>\$ 1,644,876</u>	<u>\$ 14,711</u>	<u>\$ 1,659,587</u>
\$	\$ 492,465	\$ 4,848	\$ 497,313
	130,999		130,999
	101,342		101,342
	57,090		57,090
	138,971		138,971
		72,746	72,746
	209,936		209,936
319,173	344,403	(344,403)	
	115,000	(115,000)	
	150,275	(767)	149,508
<u>\$ 319,173</u>	<u>\$ 1,740,481</u>	<u>\$ (382,576)</u>	<u>\$ 1,357,905</u>
\$ (319,173)	\$ (95,605)	\$ 95,605	\$
		301,682	301,682
<u>2,939,948</u>	<u>5,665,213</u>	<u>(2,498,412)</u>	<u>3,166,801</u>
<u>\$ 2,620,775</u>	<u>\$ 5,569,608</u>	<u>\$ (2,101,125)</u>	<u>\$ 3,468,483</u>

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

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances - Governmental Funds \$ (95,605)

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

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied. 13,715

Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed. 996

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. (72,746)

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected. 344,403

The changes in the net pension liability is recorded as pension expense in the government-wide financial statements. (4,848)

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities. 115,000

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. 767

Change in Net Position - Governmental Activities \$ 301,682

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

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. CREATION OF DISTRICT

Harris County Water Control and Improvement District No. 50 of Harris County, Texas (the “District”) was created by an Order of the Texas State Board of Water Engineers under Chapter 3A, Title 128 of the Revised Civil Statutes of 1925 with amendments of Chapter 280, Acts of the 41st Legislature, 1929. On September 23, 1955, the District adopted the provisions of Chapter 51 of the Texas Water Code whereby the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary for the supply of water, collection, transportation and treatment of wastewater and storm sewer drainage. The Board of Directors held its first meeting on August 20, 1955, and voters confirmed the District’s creation by an election on September 17, 1955.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

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

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

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

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of June 30, 2017, the General Fund owed the Debt Service Fund \$21,497 for tax collections and the Capital Projects Fund owed the General Fund \$8,806 for costs associated with capital expenditures to be paid for using Series 2015 bond proceeds and bond issuance costs.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
All Other Equipment	3-20

Budgeting

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

Pensions

For employees of the District, a pension plan has been established. See Note 8.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

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

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

Inventory

Inventory is valued at current market price and has a June 30, 2017, value of \$43,353. Inventory consists of consumable parts which are expensed as used.

NOTE 3. LONG-TERM DEBT

	Series 2015
Amount Outstanding – June 30, 2017	\$ 4,575,000
Interest Rates	2.00% - 4.00%
Maturity Date	September 1, 2017/2040
Interest Payment Dates	September 1/ March 1
Callable Dates	September 1, 2022*

* Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2015 term bonds maturing on September 1, 2026, 2028, 2030, 2032 and 2040, are subject to mandatory redemption beginning September 1, 2025, 2027, 2029, 2031 and 2037, respectively.

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2017:

	July 1, 2016	Additions	Retirements	June 30, 2017
Bonds Payable	\$ 4,690,000	\$ -0-	\$ 115,000	\$ 4,575,000
		Amount Due Within One Year		\$ 120,000
		Amount Due After One Year		4,455,000
		Total Bonds Payable		\$ 4,575,000

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3. LONG-TERM DEBT (Continued)

As of June 30, 2017, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 120,000	\$ 147,924	\$ 267,924
2019	125,000	145,475	270,475
2020	130,000	142,924	272,924
2021	135,000	140,274	275,274
2022	140,000	137,175	277,175
2023-2027	780,000	625,968	1,405,968
2028-2032	945,000	492,132	1,437,132
2033-2037	1,135,000	315,159	1,450,159
2038-2041	1,065,000	86,900	1,151,900
	<u>\$ 4,575,000</u>	<u>\$ 2,233,931</u>	<u>\$ 6,808,931</u>

As of June 30, 2017, the District had authorized but unissued bonds in the amount of \$37,310,000 for water, sanitary sewer and drainage bonds.

During the year ended June 30, 2017, the District levied ad valorem debt service tax rate of \$0.117 per \$100 of assessed valuation, which resulted in a levy of \$298,850 on the tax rate valuation of \$255,436,569 for the 2016 tax year. The bond order requires the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the costs of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

The District's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond order states that the District is required by the Securities and Exchange Commission to provide annual continuing disclosure of certain general financial information and operating data to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS
(Continued)

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each 5th year anniversary of each issue. In accordance with the Series 2015 bond order, bond proceeds of \$151,425 was deposited into the Debt Service Fund and reserved for the payment of bond interest. The bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

Bond Interest Reserve – July 1, 2016	\$ 42,063
Less: Bond Interest Paid	<u>42,063</u>
Bond Interest Reserve – June 30, 2017	<u>\$ -0-</u>

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$4,838,971 and the bank balance was \$4,854,669. The District was not exposed to custodial credit risk at year-end. The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2017, as listed below:

GENERAL FUND	\$ 1,861,851
DEBT SERVICE FUND	347,539
CAPITAL PROJECTS FUND	<u>2,629,581</u>
TOTAL DEPOSITS	<u>\$ 4,838,971</u>

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth.

The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2017, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	<u>\$ 722,376</u>	<u>\$ 722,376</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2017, the District's investment in TexPool was rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can be redeemed each day at the discretion of the District.

Restrictions

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

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017:

	July 1, 2016	Increases	Decreases	June 30, 2017
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 18,333	\$	\$	\$ 18,333
Construction in Progress	<u>873,333</u>	<u>344,403</u>	<u>1,145,108</u>	<u>72,628</u>
Total Capital Assets Not Being Depreciated	<u>\$ 891,666</u>	<u>\$ 344,403</u>	<u>\$ 1,145,108</u>	<u>\$ 90,961</u>
Capital Assets Subject to Depreciation				
Buildings and Equipment	\$ 299,108	\$ 25,230	\$	\$ 324,338
Water, Sewer, and Drainage Facilities	<u>1,758,296</u>	<u>1,119,878</u>	<u></u>	<u>2,878,174</u>
Total Capital Assets Subject to Depreciation	<u>\$ 2,057,404</u>	<u>\$ 1,145,108</u>	<u>\$ - 0 -</u>	<u>\$ 3,202,512</u>
Accumulated Depreciation				
Buildings and Equipment	\$ 162,599	\$ 10,343	\$	\$ 172,942
Water, Sewer, and Drainage Facilities	<u>459,283</u>	<u>62,403</u>	<u></u>	<u>521,686</u>
Total Accumulated Depreciation	<u>\$ 621,882</u>	<u>\$ 72,746</u>	<u>\$ - 0 -</u>	<u>\$ 694,628</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,435,522</u>	<u>\$ 1,072,362</u>	<u>\$ - 0 -</u>	<u>\$ 2,507,884</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 2,327,188</u>	<u>\$ 1,416,765</u>	<u>\$ 1,145,108</u>	<u>\$ 2,598,845</u>

NOTE 7. MAINTENANCE TAX

The voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District. During the year ended June 30, 2017, the District levied a maintenance tax rate of \$0.208 per \$100 of assessed valuation, which resulted in a tax levy of \$531,289 on the adjusted taxable valuation of \$255,436,569 for the 2016 tax year.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8. PENSION PLAN

Plan Description

The District provides retirement for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (“TCDRS”). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of more than 735 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available on the TCDRS website (www.tcdrs.org).

Benefits Provided

The plan provisions are adopted by the governing body of the District, within the options available in the Texas state statutes governing the TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service, regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by the District.

Benefit amounts are determined by the sum of the employee’s deposits to the plan, with interest, and employer-financed monetary credit. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee’s accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled but not yet receiving benefits	4
Active employees	6

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8. PENSION PLAN (Continued)

Contributions

The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 7.14% for the months of the 2017 accounting year and a rate of 6.99% for the months of the 2016 accounting year. The deposit rate payable by the employee members for calendar years 2016 and 2017 is 5.0% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

For the District's accounting year ended June 30, 2017, the annual pension cost for the TCDRS plan for its employees was \$23,922; the actual contributions were \$39,904. The required contribution was determined as part of the December 31, 2016, actuarial valuation using the entry age actuarial cost method.

	Actuarial Valuation Information		
	12/31/14	12/31/15	12/31/16
Actuarial valuation date	12/31/14	12/31/15	12/31/16
Actuarial cost method	entry age	entry age	entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period	14.1	11.3	11.4
Asset Valuation Method:			
Subdivision Accumulation Fund	5-yr smoothed value	5-yr smoothed value	5-yr smoothed value
Employees Saving Fund	Fund value	Fund value	Fund value
Actuarial Assumptions:			
Investment return ¹	8.1%	8.1%	8.0%
Projected salary increases ¹	4.9%	4.9%	4.9%
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustments	0.0%	0.0%	1.0%

¹ Includes inflation at the stated rate

Mortality rates were based on the following:

Depositing members - The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected at 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate Scale after that.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8. PENSION PLAN (Continued)

Service retirees, beneficiaries and non-depositing members - The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate Scale after that, with a one-year set-forward for males and no age adjustment for females.

Disabled retirees - RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate Scale after that, with no age adjustment for males and a two-year set forward for females.

Discount Rate

The total pension liability was determined by an actuarial valuation as of the measurement date, calculated based on the discount rate and actuarial assumptions below. The discount rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members.

In order to determine the discount rate to be used, the actuary used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act:

- 1) TCDRS has a funding policy where the Unfunded Actuarial Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
- 2) Under the TCDRS Act, the District is legally required to make the contributions specified in the funding policy.
- 3) The District's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the District is still required to contribute at least the normal cost.
- 4) Any increased cost due to the adoption of a cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns

**HARRIS COUNTY WATER CONTROL
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8. PENSION PLAN (Continued)

Discount Rate (Continued)

to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculation the total pension liability and net position liability of the District is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2017 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013 for the period January 1, 2009 – December 31, 2012. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

**HARRIS COUNTY WATER CONTROL
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8. PENSION PLAN (Continued)

Discount Rate (Continued)

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	13.50%	4.70%
Private Equity	16.00%	7.70%
Global Equities	1.50%	5.00%
International Equities-Development	10.00%	4.70%
International Equities-Emerging	7.00%	5.70%
Investment-Grade Bonds	3.00%	0.60%
High-Yield Bonds	3.00%	3.70%
Opportunistic Credit	2.00%	3.83%
Direct Lending	10.00%	8.15%
Distressed Debt	3.00%	6.70%
REIT Equities	2.00%	3.85%
Master Limited Partnerships (MLPs)	3.00%	5.60%
Private Real Estate Partnerships	6.00%	7.20%
Hedge Funds	<u>20.00%</u>	3.85%
	<u>100.00%</u>	

**HARRIS COUNTY WATER CONTROL
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8. PENSION PLAN (Continued)

Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net position (b)	Net Position Liability (a)-(b)
Balances of December 31, 2015	\$ 877,583	\$ 702,444	\$ 175,139
Changes for the year:			
Service cost	27,612		27,612
Interest on total pension liability	71,016		71,016
Effect of plan changes	(2,015)		(2,015)
Effect of economic/demographic gains or losses	698		698
Benefit Payments	(27,308)	(27,308)	
Administrative expenses		(564)	564
Member Contributions		15,875	(15,875)
Net Investment income		51,960	(51,960)
Employer contributions		22,669	(22,669)
Other		4,910	(4,910)
Balances of December 31, 2016	<u>\$ 947,586</u>	<u>\$ 769,986</u>	<u>\$ 177,600</u>

Sensitivity Analysis - The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Total pension Liability	\$ 1,079,159	\$ 947,586	\$ 838,251
Fiduciary net position	<u>769,986</u>	<u>769,986</u>	<u>769,986</u>
Net pension liability	<u>\$ 309,174</u>	<u>\$ 177,600</u>	<u>\$ 68,265</u>

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8. PENSION PLAN (Continued)

As of December 31, 2016, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -0-	\$ 3,832
Change of Assumptions	-0-	7,150
Net difference between projected and actual earnings	-0-	40,932
Contributions subsequent to the measurement date	-0-	19,657
		71,571

The District made plan contributions subsequent to the measurement date and prior to the District fiscal year-end of \$19,657, which are recorded as deferred outflows of resources. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year ended December 31:	
2017	\$ 16,810
2018	16,810
2019	15,090
2020	3,088
2021	116
Thereafter	0

Group Term Life Fund

The District participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the TCDRS. This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees.

The GTLF is a separate trust administered by the TCDRS board of trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System; P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782.

Funding Policy: Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The District's contributions to the GTLF for the year ending June 30, 2017, June 30, 2016, and June 30, 2015, were \$1,320, \$1,268, and \$821, respectively, which equaled the contractually required contribution.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. COMPENSATED ABSENCES

District employees are paid by a prescribed formula for vacation. Vacation leave is earned at a rate of two weeks for the first five years of service and three weeks for more than five but less than ten years. After ten years of service, one day is added for each year of service up to a maximum of 20 days. Unless approved by the Board, the eligibility for each benefit lapses at year end. At June 30, 2017, there were no material accumulated unpaid vacation benefits.

Short-Term Sick Leave

All employees working 16 hours or more per week are entitled to short-term sick leave benefits according to the amount of time employed by the District. The following schedule summarizes the method of accumulation:

Term of Service	Number of Days Accumulated
1 to 90 days	1 day
91 – 180 days	2 days
9 months – 1 year	3 days
1 to 2 years	5 days/year
2 to 5 years	8 days/year
5 to 10 years	9 days/year
10 to 15 years	10 days/year
15 to 20 years	12 days/year
>20 years	15 days/year

At the end of their anniversary year, any unused short-term sick leave is transferred to the employee’s accumulated long-term illness/injury leave. Any unused short-term sick leave which is not transferred to long-term illness/injury leave may not be carried over to subsequent years.

Long-Term Illness/Injury Leave

All previously earned short-term sick leave must be exhausted before long-term illness/injury leave may be used. Any unused long-term illness/injury leave will be paid to an employee upon retirement from service with the District. This applies only to those persons who retire and receive pension benefits for service with the District. It does not apply to persons separated or terminated either voluntarily or involuntarily. As of June 30, 2017, there was no material accumulated long-term illness/injury leave for employees who are eligible for pension benefits upon retirement.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, automobile, boiler and machinery, errors and omissions, windstorm and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 11. WATER SUPPLY AGREEMENT

On May 24, 1988, the District entered into a Potable Water Supply Agreement (Agreement) with the City of Seabrook, Texas (Seabrook). The contract calls for Seabrook to deliver to the District and the District to accept up to 500,000 gallons per day of potable water at a cost equal to the following:

$$\text{Base Potable Water Price} = A + \$0.05$$

In the foregoing formula:

“A” is the lowest price Seabrook pays the City of Pasadena, Texas, for the same Billing Period, for each one thousand (1,000) gallons of potable water as specified in the contract between Seabrook and the City of Pasadena, or under any contract which may subsequently replace said contract.

In a prior fiscal year, the District paid Seabrook for its share of the cost of constructing a potable water transmission line in Seabrook to the point at which water is delivered by the City of Pasadena to Seabrook. The District also paid the cost of constructing a water transmission line to connect with Seabrook's water line at the point of delivery. This agreement is in effect until March 14, 2028, which is the expiration date of the contract between Seabrook and the City of Pasadena. During the current fiscal year, the District purchased water in the amount of \$101,342.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50**

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 400,000	\$ 526,720	\$ 126,720
Water Service	415,000	446,188	31,188
Wastewater Service	325,000	340,169	15,169
Penalty and Interest	7,500	10,947	3,447
Miscellaneous Revenues	<u>7,000</u>	<u>24,422</u>	<u>17,422</u>
TOTAL REVENUES	<u>\$ 1,154,500</u>	<u>\$ 1,348,446</u>	<u>\$ 193,946</u>
EXPENDITURES			
Services Operations:			
Personnel	\$ 488,000	\$ 492,465	\$ (4,465)
Professional Fees	143,000	130,249	12,751
Purchased Water Service	115,000	101,342	13,658
Utilities	110,500	57,090	53,410
Repairs and Maintenance	120,000	138,971	(18,971)
Other	123,800	209,936	(86,136)
Capital Outlay	<u> </u>	<u>25,230</u>	<u>(25,230)</u>
TOTAL EXPENDITURES	<u>\$ 1,100,300</u>	<u>\$ 1,155,283</u>	<u>\$ (54,983)</u>
NET CHANGE IN FUND BALANCE	\$ 54,200	\$ 193,163	\$ 138,963
FUND BALANCE - JULY 1, 2016	<u>2,386,634</u>	<u>2,386,634</u>	<u> </u>
FUND BALANCE - JUNE 30, 2017	<u>\$ 2,440,834</u>	<u>\$ 2,579,797</u>	<u>\$ 138,963</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
JUNE 30, 2017**

	<u>Year Ended December 31 2016</u>	<u>Year Ended December 31 2015</u>	<u>Year Ended December 31 2014</u>
Total Pension Liability			
Service cost	\$ 27,612	\$ 27,564	\$ 26,238
Interest on total pension liability	71,016	68,235	65,103
Effect on plan changes	(2,015)	(76,963)	
Effect of assumption changes or inputs		10,725	
Effect of economic/demographic (gains) or losses	698	436	5,922
Benefit payments/refunds of contributions	<u>(27,308)</u>	<u>(27,038)</u>	<u>(26,507)</u>
Net change in total pension liability	\$ 70,003	\$ 2,959	\$ 70,756
Total pension liability, beginning	<u>877,583</u>	<u>874,624</u>	<u>803,868</u>
Total pension liability, ending (a)	<u>\$ 947,586</u>	<u>\$ 877,583</u>	<u>\$ 874,624</u>
Fiduciary Net Position			
Employer contributions	\$ 22,669	\$ 22,603	\$ 21,780
Member contributions	15,875	15,784	15,490
Investment income net of investment expenses	51,960	1,663	43,641
Benefit payments/refunds of contributions	(27,308)	(27,038)	(26,507)
Administrative expenses	(564)	(500)	(508)
Other	<u>4,910</u>	<u>1,800</u>	<u>1,207</u>
Net change in fiduciary net position	\$ 67,542	\$ 14,312	\$ 55,103
Fiduciary net position, beginning	<u>702,444</u>	<u>688,132</u>	<u>633,029</u>
Fiduciary net position, ending (b)	<u>\$ 769,986</u>	<u>\$ 702,444</u>	<u>\$ 688,132</u>
Net pension liability, ending = (a) – (b)	<u>\$ 177,600</u>	<u>\$ 175,139</u>	<u>\$ 186,492</u>
Fiduciary net position as a % of total pension liability	81.26%	80.04%	78.68%
Pensionable covered payroll	\$ 317,492	\$ 315,685	\$ 309,809
Net pension liability as a % of covered payroll	55.94%	55.48%	60.20%

See accompanying independent auditor's report

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
SCHEDULE OF DISTRICT CONTRIBUTIONS
JUNE 30, 2017**

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽¹⁾	Actual Contribution as a % of Covered Payroll
2007	\$ 15,355	\$ 15,355	\$ -0-	\$ 267,051	5.8%
2008	\$ 13,566	\$ 13,566	\$ -0-	\$ 251,695	5.4%
2009	\$ 16,044	\$ 16,044	\$ -0-	\$ 294,929	5.4%
2010	\$ 18,566	\$ 18,566	\$ -0-	\$ 280,037	6.6%
2011	\$ 15,500	\$ 15,500	\$ -0-	\$ 292,454	5.3%
2012	\$ 17,327	\$ 17,339	\$ (13)	\$ 302,911	5.7%
2013	\$ 19,436	\$ 19,436	\$ -0-	\$ 305,117	6.4%
2014	\$ 21,780	\$ 21,780	\$ -0-	\$ 309,809	7.0%
2015	\$ 22,603	\$ 22,603	\$ -0-	\$ 315,685	7.2%
2016	\$ 22,447	\$ 22,669	\$ (222)	\$ 317,492	7.1%

⁽¹⁾Payroll is calculated based on contributions as reported to TCDRS.

All actuarial methods and assumptions used for this analysis were the same as those used in the December 31, 2016 funding valuation. Following are the key assumptions and methods used in this analysis.

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	4.9%
Investment Rate of Return	8.00%
Cost-of-Living Adjustments	Cost-of Living Adjustments for the District are not considered to be substantively automatic under GASB 68. Therefore, an annual 1% cost-of-living adjustment is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Same as funding valuation
Mortality	Same as funding valuation, See Note 8

See accompanying independent auditor's report

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**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

JUNE 30, 2017

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2017**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>1,008</u>	<u>1,003</u>	x 1.0	<u>1,003</u>
1"	<u>2</u>	<u>2</u>	x 2.5	<u>5</u>
1½"	<u>2</u>	<u>2</u>	x 5.0	<u>10</u>
2"	<u>4</u>	<u>4</u>	x 8.0	<u>32</u>
3"			x 15.0	
4"	<u>1</u>	<u>1</u>	x 25.0	<u>25</u>
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>1,017</u></u>	<u><u>1,012</u></u>		<u><u>1,075</u></u>
Total Wastewater Connections	<u><u>1,013</u></u>	<u><u>1,011</u></u>	x 1.0	<u><u>1,011</u></u>

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

Gallons pumped into system from wells:	252,000	Water Accountability Ratio: 92.55% (Gallons billed/Gallons pumped and purchased)
Gallons purchased:	<u>120,780,000</u>	<u>From: City of Seabrook, Texas</u>
Total pumped and purchased:	<u>121,032,000</u>	
Gallons billed to customers:	112,023,000	

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2017**

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ___ No X

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely X Partly _____ Not at all _____

Cities in which District is located:

El Lago, Texas, Taylor Lake Village, Texas and Seabrook, Texas

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely _____ Partly _____ Not at all X

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017**

PERSONNEL EXPENDITURES (Including Benefits)	
Salaries	\$ 319,646
Payroll Taxes	25,031
Employee Insurance	123,866
Retirement	<u>23,922</u>
TOTAL PERSONNEL EXPENDITURES	<u>\$ 492,465</u>
PROFESSIONAL FEES:	
Auditing	\$ 14,500
Engineering	43,786
Legal	<u>71,963</u>
TOTAL PROFESSIONAL FEES	<u>\$ 130,249</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	<u>\$ 101,342</u>
UTILITIES:	
Electricity	\$ 55,134
Telephone	<u>1,956</u>
TOTAL UTILITIES	<u>\$ 57,090</u>
REPAIRS AND MAINTENANCE	<u>\$ 138,971</u>
ADMINISTRATIVE EXPENDITURES:	
Contract Services	\$ 67,001
Director Fees	7,560
Insurance	26,127
Legal Notices	1,795
Office Supplies and Postage	5,317
Travel and Meetings	4,066
Vehicle Expense	5,870
Other	<u>12,472</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 130,208</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017**

CAPITAL OUTLAY		\$ <u>25,230</u>
OTHER EXPENDITURES:		
Chemicals	\$	36,404
Permit Fees		16,949
Tools/Equipment		1,341
Other		<u>25,034</u>
TOTAL OTHER EXPENDITURES	\$	<u>79,728</u>
TOTAL EXPENDITURES		<u><u>\$ 1,155,283</u></u>

Number of persons employed by the District 6 Full-Time -0- Part-Time

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
INVESTMENTS
JUNE 30, 2017**

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	<u>\$ 722,376</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2017**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JULY 1, 2016	\$	14,347		\$ 4,064
Adjustments to Beginning				
Balance		<u>(358)</u>	\$ 13,989	<u>(89)</u> \$ 3,975
Original 2016 Tax Levy	\$	512,526		\$ 288,296
Adjustment to 2016 Tax Levy		<u>18,763</u>	<u>531,289</u>	<u>10,554</u> 298,850
TOTAL TO BE				
ACCOUNTED FOR			\$ 545,278	\$ 302,825
 TAX COLLECTIONS:				
Prior Years	\$	5,348		\$ 3,159
Current Year		<u>521,372</u>	<u>526,720</u>	<u>293,271</u> 296,430
 TAXES RECEIVABLE -				
JUNE 30, 2017			<u>\$ 18,558</u>	<u>\$ 6,395</u>
 TAXES RECEIVABLE BY				
YEAR:				
2016	\$	9,917		\$ 5,579
2015		1,288		816
2014		1,172		
2013		1,014		
2012		792		
2011		1,108		
2010		1,214		
2009		715		
2008		891		
2007		325		
2006		97		
2005		<u>25</u>		
TOTAL			<u>\$ 18,558</u>	<u>\$ 6,395</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 255,436,569</u>	<u>\$ 230,067,544</u>	<u>\$ 208,571,925</u>	<u>\$ 195,860,025</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.117	\$ 0.130	\$ 0.0000	\$ 0.0000
Maintenance	<u>0.208</u>	<u>0.205</u>	<u>0.2129</u>	<u>0.1974</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.325</u>	<u>\$ 0.335</u>	<u>\$ 0.2129</u>	<u>\$ 0.1974</u>
ADJUSTED TAX LEVY*	<u>\$ 830,169</u>	<u>\$ 770,707</u>	<u>\$ 444,112</u>	<u>\$ 386,657</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.13 %</u>	<u>99.73 %</u>	<u>99.73 %</u>	<u>99.74 %</u>

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

Maintenance Tax – Voters have approved a maintenance tax not to exceed \$0.25 per \$100 of assessed valuation.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2017**

S E R I E S - 2 0 1 5

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 120,000	\$ 147,924	\$ 267,924
2019	125,000	145,475	270,475
2020	130,000	142,924	272,924
2021	135,000	140,274	275,274
2022	140,000	137,175	277,175
2023	145,000	133,612	278,612
2024	150,000	129,738	279,738
2025	155,000	125,544	280,544
2026	160,000	121,012	281,012
2027	170,000	116,062	286,062
2028	175,000	110,669	285,669
2029	180,000	104,900	284,900
2030	190,000	98,769	288,769
2031	195,000	92,272	287,272
2032	205,000	85,522	290,522
2033	210,000	78,519	288,519
2034	220,000	71,126	291,126
2035	225,000	63,338	288,338
2036	235,000	55,288	290,288
2037	245,000	46,888	291,888
2038	255,000	37,500	292,500
2039	260,000	27,200	287,200
2040	270,000	16,600	286,600
2041	280,000	5,600	285,600
	<u>\$ 4,575,000</u>	<u>\$ 2,233,931</u>	<u>\$ 6,808,931</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
ANALYSIS OF CHANGES IN LONG-TERM DEBT
FOR THE YEAR ENDED JUNE 30, 2017**

Description	Original Bonds Issued	Bonds Outstanding July 1, 2016
Harris County Water Control and Improvement District No. 50 Unlimited Tax Bonds - Series 2015	<u>\$ 4,690,000</u>	<u>\$ 4,690,000</u>
Bond Authority:	Tax Bonds	
Amount Authorized by Voters	\$ 46,077,000	
Amount Issued	<u>8,767,000</u>	
Remaining to be Issued	<u>\$ 37,310,000</u>	
Debt Service Fund cash, investments and cash with paying agent balances as of June 30, 2017:		<u>\$ 347,539</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 283,705</u>

See Note 3 for interest rate, interest payment dates and maturity dates.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
	<u>Retirements</u>		<u>Bonds Outstanding</u>	<u>Paying Agent</u>
<u>Bonds Sold</u>	<u>Principal</u>	<u>Interest</u>	<u>June 30, 2017</u>	
<u>\$ - 0 -</u>	<u>\$ 115,000</u>	<u>\$ 150,275</u>	<u>\$ 4,575,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2017	2016	2015
REVENUES			
Property Taxes	\$ 526,720	\$ 470,483	\$ 442,965
Service Revenues	786,357	801,243	727,831
Penalty and Interest	10,947	11,245	11,836
Miscellaneous Revenues	24,422	19,047	14,027
TOTAL REVENUES	\$ 1,348,446	\$ 1,302,018	\$ 1,196,659
EXPENDITURES			
Personnel	\$ 492,465	\$ 489,860	\$ 486,534
Professional Fees	130,249	101,265	92,934
Purchased and Contracted Services	101,342	98,292	80,304
Utilities	57,090	64,852	67,650
Repairs and Maintenance	138,971	29,963	114,237
Other	209,936	167,026	159,534
Capital Outlay	25,230	102,045	8,879
TOTAL EXPENDITURES	\$ 1,155,283	\$ 1,053,303	\$ 1,010,072
NET CHANGE IN FUND BALANCE	\$ 193,163	\$ 248,715	\$ 186,587
BEGINNING FUND BALANCE	2,386,634	2,137,919	1,951,332
ENDING FUND BALANCE	\$ 2,579,797	\$ 2,386,634	\$ 2,137,919

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2014	2013	2017	2016	2015	2014	2013
\$ 390,682	\$ 363,131	39.1 %	36.1 %	37.0 %	33.9 %	34.7 %
742,812	658,769	58.3	61.5	60.8	64.4	62.9
14,537	20,169	0.8	0.9	1.0	1.3	1.9
4,819	5,283	1.8	1.5	1.2	0.4	0.5
<u>\$ 1,152,850</u>	<u>\$ 1,047,352</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 477,103	\$ 465,751	36.5 %	37.6 %	40.7 %	41.4 %	44.5 %
109,446	136,001	9.7	7.8	7.8	9.5	13.0
108,170	106,308	7.5	7.5	6.7	9.4	10.2
68,467	69,360	4.2	5.0	5.7	5.9	6.6
130,188	106,141	10.3	2.3	9.5	11.3	10.1
177,386	177,324	15.6	12.8	13.3	15.4	16.9
23,188		1.9	7.8	0.7	2.0	
<u>\$ 1,093,948</u>	<u>\$ 1,060,885</u>	<u>85.7 %</u>	<u>80.8 %</u>	<u>84.4 %</u>	<u>94.9 %</u>	<u>101.3 %</u>
\$ 58,902	\$ (13,533)	<u>14.3 %</u>	<u>19.2 %</u>	<u>15.6 %</u>	<u>5.1 %</u>	<u>(1.3) %</u>
<u>1,892,430</u>	<u>1,905,963</u>					
<u>\$ 1,951,332</u>	<u>\$ 1,892,430</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2017	2016	2015
REVENUES			
Property Taxes	\$ 296,430	\$ 295,016	\$
Miscellaneous Revenues		2,611	
TOTAL REVENUES	\$ 296,430	\$ 297,627	\$ - 0 -
EXPENDITURES			
Debt Service Interest, Fees and Other	\$ 151,025	\$ 110,170	\$ 251
Debt Service Principal	115,000		
TOTAL EXPENDITURES	\$ 266,025	\$ 110,170	\$ 251
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 30,405	\$ 187,457	\$ (251)
OTHER FINANCING SOURCES (USES)			
Proceeds from Long-Term Debt	\$ - 0 -	\$ - 0 -	\$ 151,425
NET CHANGE IN FUND BALANCE	\$ 30,405	\$ 187,457	\$ 151,174
BEGINNING FUND BALANCE	338,631	151,174	
ENDING FUND BALANCE	\$ 369,036	\$ 338,631	\$ 151,174
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,012	1,012	1,012
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,011	1,011	1,011

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2014</u>	<u>2013</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$	\$	100.0 %	99.1 %	%	%	%
			0.9			
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>%</u>	<u>%</u>	<u>%</u>
\$	\$	50.9 %	37.0 %	%	%	%
		38.8				
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>89.7 %</u>	<u>37.0 %</u>	<u>%</u>	<u>%</u>	<u>%</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>10.3 %</u>	<u>63.0 %</u>	<u>N/A %</u>	<u>N/A %</u>	<u>N/A %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
<u>1,012</u>	<u>1,012</u>					
<u>1,011</u>	<u>1,011</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2017**

District Mailing Address - Harris County Water Control and Improvement
District No. 50
1122 Cedar Lane
El Lago, Texas 77586-6004

District Telephone Number - (281) 326-5573

Board Members	Term of Office (Elected or <u>Appointed</u>)	Fees of office for the year ended <u>June 30, 2017</u>	Expense reimbursements for the year ended <u>June 30, 2017</u>	<u>Title</u>
Mario Runco	05/2016 05/2020 (Elected)	\$ 1,485	\$ -0-	President
Sheila Brown	05/2014 05/2018 (Elected)	\$ 1,350	\$ 532	Vice President
M.B. Eisenbarth	05/2014 05/2018 (Elected)	\$ 1,620	\$ -0-	Secretary
J. L. Restivo	05/2016 05/2020 (Elected)	\$ 1,620	\$ -0-	Assistant Secretary
George Shea, Jr.	12/2014 05/2018 (Appointed)	\$ 1,620	\$ -0-	Director

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

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):
June 14, 2016

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060). Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 50
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2017**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended June 30, 2017</u>	<u>Title</u>
Smith, Murdaugh, Little & Bonham, L.L.P.	08/10/11	\$ 71,963 \$ 990	General Counsel/ Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	07/11/07	\$ 14,500	Auditor
A&S Engineers Inc.	04/11/12	\$ 105,231	Engineer
FirstSouthwest, a Division of Hilltop Securities Inc.	07/09/14	\$ -0-	Financial Advisor

See accompanying independent auditor's report.

