

CYPRESS FOREST PUBLIC UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

SEPTEMBER 30, 2017

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# Roth & Eyring, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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December 5, 2017

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Cypress Forest  
Public Utility District  
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each fund of Cypress Forest Public Utility District, 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 Cypress Forest Public Utility District 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 24 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 25 to 39 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.

*North & Arizono, PLLC*

## Management's Discussion and Analysis

### Using this Annual Report

Within this section of the Cypress Forest Public Utility District (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 disposal, 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	\$ 6,519,193	\$ 5,168,331	\$ 1,350,862
Capital assets	<u>12,169,451</u>	<u>12,343,937</u>	<u>(174,486)</u>
Total assets	<u>18,688,644</u>	<u>17,512,268</u>	<u>1,176,376</u>
Long-term liabilities	3,483,659	1,432,964	2,050,695
Other liabilities	<u>812,494</u>	<u>3,147,067</u>	<u>(2,334,573)</u>
Total liabilities	<u>4,296,153</u>	<u>4,580,031</u>	<u>(283,878)</u>
Net position:			
Invested in capital assets, net of related debt	8,301,901	8,188,216	113,685
Restricted	473,321	514,407	(41,086)
Unrestricted	<u>5,617,269</u>	<u>4,229,614</u>	<u>1,387,655</u>
Total net position	<u>\$ 14,392,491</u>	<u>\$ 12,932,237</u>	<u>\$ 1,460,254</u>

Summary of Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 1,930,360	\$ 1,919,928	\$ 10,432
Charges for services	2,943,369	2,615,034	328,335
Other revenues	<u>155,148</u>	<u>128,422</u>	<u>26,726</u>
Total revenues	<u>5,028,877</u>	<u>4,663,384</u>	<u>365,493</u>
Expenses:			
Service operations	3,456,355	3,894,045	(437,690)
Debt service	<u>112,268</u>	<u>120,731</u>	<u>(8,463)</u>
Total expenses	<u>3,568,623</u>	<u>4,014,776</u>	<u>(446,153)</u>
Change in net position	1,460,254	648,608	811,646
Net position, beginning of year	<u>12,932,237</u>	<u>12,283,629</u>	<u>648,608</u>
Net position, end of year	<u>\$ 14,392,491</u>	<u>\$ 12,932,237</u>	<u>\$ 1,460,254</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 \$6,074,949, an increase of \$1,334,570 from the prior year.

The General Fund balance increased by \$1,371,437, in accordance with the District's financial plan.

The Debt Service Fund balance decreased by \$36,867, in accordance with the District's financial plan.

### *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 24 of this report. The budgetary fund balance as of September 30, 2017, was expected to be \$3,921,573 and the actual end of year fund balance was \$6,010,521.

### **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	\$ 6,475,874	\$ 6,443,898	\$ 31,976
Detention ponds and park improvements	97,159	97,159	0
Construction in progress	198,179	189,679	8,500
Water facilities	2,278,874	2,443,910	(165,036)
Sewer facilities	3,119,365	3,169,291	(49,926)
Totals	<u>\$ 12,169,451</u>	<u>\$ 12,343,937</u>	<u>\$ (174,486)</u>

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

#### Additions:

Engineering for joint sewer trunk line	\$ 8,500
Park land costs	31,976
Joint wastewater treatment plant improvements	121,872
Total additions to capital assets	<u>162,348</u>

#### Decreases:

Depreciation	<u>(336,834)</u>
Net change to capital assets	<u>\$ (174,486)</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	\$ 1,605,000
Bonds paid	<u>(150,000)</u>
Bonded debt payable, end of year	<u>\$ 1,455,000</u>

At September 30, 2017, the District had \$1,430,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District and \$6,245,000 of bonds authorized but unissued for parks and recreational facilities.

The District's bonds have an underlying rating of A+ by Standard & Poor's. The Series 2010A bonds are insured by Assured Guaranty Municipal Corp. The insured rating of the Series 2010A bonds is AA by Standard & Poor's. There were no changes in the bond ratings during and after the fiscal year ended September 30, 2017.



The District has issued a \$2,610,000 promissory note to BOKF, N.A., dba Bank of Texas to refinance the purchase of park property. The repayment terms of this note are described in a following paragraph and in Note 5 of the Notes to the Financial Statements. As of September 30, 2017, the unpaid principal amount of this note is \$2,434,586.

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

### *Property Tax Base*

The District's tax base increased approximately \$37,900,000 for the 2016 tax year (approximately 6%) due to the increase in the average assessed valuation on existing property.

### *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 14, 2009 (amended and restated effective November 16, 2012). 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 SPA 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 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 has been required by the NHCRWA to participate in the groundwater conversion project by converting a portion of its water production to surface water. 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.

#### *Purchase of Park Land*

During the fiscal year ended September 30, 2011, the District purchased from a landowner/developer all of the land underlying a golf course and adjoining undeveloped land (approximately 259 acres, minus a development tract of about 27 acres) for a price of \$5.5 million. The District constructed park and recreation facilities on a portion of the property. The District leased back a portion of the total park property (206 of the 259 acres) to the developer for use as a golf course (or other approved recreational use), for 99 years at an annual fee of \$5,500.

To finance the purchase of the park land, the District issued \$1,955,000 in Series 2010A Unlimited Tax Park Bonds and a \$3,075,000 promissory note to Encore Bank to finance the purchase of the property. On December 2, 2013, the District issued a \$2,900,000 promissory note to BOKF, N.A., dba Bank of Texas to refinance the Encore Bank note. On December 1, 2016, the District issued a \$2,610,000 promissory note to BOKF, N.A., dba Bank of Texas to refinance the 2013 note. The 2016 Bank of Texas note bears interest at 2.33% per annum and provides for eleven quarterly principal and interest payments of \$73,335 beginning March 1, 2017, and a balloon payment of the outstanding principal and interest to be paid on November 30, 2019. The promissory note is secured by a lien on net revenues of the District's water and sewer system.

CYPRESS FOREST PUBLIC UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

SEPTEMBER 30, 2017

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
<b>ASSETS</b>						
Cash, including interest-bearing accounts, Note 7	\$ 1,929,596	\$ 69,048	\$	\$ 1,998,644	\$	\$ 1,998,644
Certificates of deposit, at cost, Note 7	339,976			339,976		339,976
Temporary investments, at cost, Note 7	3,296,470			3,296,470		3,296,470
Receivables:						
Property taxes	18,052	6,386		24,438		24,438
Accrued penalty and interest on property taxes				0	13,416	13,416
Service accounts	257,572			257,572		257,572
Sales and Use Taxes, Note 13	51,211			51,211		51,211
Accrued interest	286			286		286
Other	34,157			34,157		34,157
Maintenance taxes collected not yet transferred from other fund	3,683			3,683	(3,683)	0
Due from regional authority, Note 10	411,304			411,304		411,304
Operating reserve at regional facilities, Note 9	30,869			30,869		30,869
Groundwater bank certificates, at cost, Note 12	60,850			60,850		60,850
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	6,771,212	6,771,212
Depreciable capital assets				0	5,398,239	5,398,239
<b>Total assets</b>	<u>\$6,434,026</u>	<u>\$ 75,434</u>	<u>\$ 0</u>	<u>\$ 6,509,460</u>	<u>12,179,184</u>	<u>18,688,644</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 371,339	\$ 937	\$	\$ 372,276		372,276
Accrued interest payable				0	22,213	22,213
Customer deposits	34,114			34,114		34,114
Maintenance taxes collected not yet transferred to other fund		3,683		3,683	(3,683)	0
Long-term liabilities, Note 5:						
Due within one year				0	383,891	383,891
Due in more than one year				0	3,483,659	3,483,659
<b>Total liabilities</b>	<u>405,453</u>	<u>4,620</u>	<u>0</u>	<u>410,073</u>	<u>3,886,080</u>	<u>4,296,153</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property tax revenues	<u>18,052</u>	<u>6,386</u>	<u>0</u>	<u>24,438</u>	<u>(24,438)</u>	<u>0</u>
<b>FUND BALANCES / NET POSITION</b>						
Fund balances:						
Nonspendable:						
Operating reserve at regional facilities, Note 9	30,869			30,869	(30,869)	0
Due from regional authority, Note 10	411,304			411,304	(411,304)	0
Groundwater bank certificates, Note 12	60,850			60,850	(60,850)	0
Assigned to:						
Debt service		64,428		64,428	(64,428)	0
Unassigned, Note 5	5,507,498			5,507,498	(5,507,498)	0
<b>Total fund balances</b>	<u>6,010,521</u>	<u>64,428</u>	<u>0</u>	<u>6,074,949</u>	<u>(6,074,949)</u>	<u>0</u>
<b>Total liabilities, deferred inflows, and fund balances</b>	<u>\$6,434,026</u>	<u>\$ 75,434</u>	<u>\$ 0</u>	<u>\$ 6,509,460</u>		
Net position:						
Invested in capital assets, net of related debt					8,301,901	8,301,901
Restricted for debt service					62,017	62,017
Restricted for due from regional authority					411,304	411,304
Unrestricted					5,617,269	5,617,269
<b>Total net position</b>					<u>\$ 14,392,491</u>	<u>\$ 14,392,491</u>

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

CYPRESS FOREST PUBLIC UTILITY DISTRICT

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	\$ 1,702,715	\$ 204,149	\$	\$ 1,906,864	\$ 8,089	\$ 1,914,953
Water service	1,093,285			1,093,285		1,093,285
Sewer service	993,360			993,360		993,360
Surface water fees, Note 10	615,097			615,097		615,097
Penalty and interest	43,771	13,653		57,424	1,754	59,178
Tap connection and inspection fees	123,960			123,960		123,960
Tax payment from other district, Note 11	19,763			19,763		19,763
Sales and Use Taxes, Note 13	124,806			124,806		124,806
Interest on surface water chloramine costs, Note 10	25,332			25,332		25,332
Interest on deposits and investments	30,229	113		30,342		30,342
Other revenues	28,801			28,801		28,801
Total revenues	4,801,119	217,915	0	5,019,034	9,843	5,028,877
<b>EXPENDITURES / EXPENSES</b>						
Service operations:						
Purchased sewer services, Note 9	123,906			123,906		123,906
Professional fees	364,785	2,714		367,499		367,499
Contracted services	122,995	48,189		171,184		171,184
Utilities	144,360			144,360		144,360
Surface water fees, Note 10	1,221,115			1,221,115		1,221,115
Repairs and maintenance	379,403			379,403		379,403
Other operating expenditures	59,255			59,255		59,255
Garbage disposal	509,720			509,720		509,720
Administrative expenditures	101,988	4,641		106,629		106,629
Depreciation				0	336,834	336,834
Capital outlay / non-capital outlay	166,822			166,822	(130,372)	36,450
Debt service:						
Principal retirement	175,414	150,000		325,414	(325,414)	0
Interest and fees	59,919	49,238		109,157	3,111	112,268
Total expenditures / expenses	3,429,682	254,782	0	3,684,464	(115,841)	3,568,623
Excess (deficiency) of revenues over expenditures	1,371,437	(36,867)	0	1,334,570	125,684	1,460,254
Net change in fund balances / net position	1,371,437	(36,867)	0	1,334,570	125,684	1,460,254
Beginning of year	4,639,084	101,295	0	4,740,379	8,191,858	12,932,237
End of year	\$ 6,010,521	\$ 64,428	\$ 0	\$ 6,074,949	\$ 8,317,542	\$ 14,392,491

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

CYPRESS FOREST PUBLIC UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1: REPORTING ENTITY

Cypress Forest Public Utility District (the "District") was created by the 62<sup>nd</sup> Texas Legislature, Acts 1971, Chapter 195 (May 13, 1971) and was converted into a municipal utility district by an order of the Texas Water Rights Commission (now the Texas Commission on Environmental Quality) effective April 1, 1976, 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 to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and parks and recreational facilities for the residents of the District. The District is also empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to contract for or employ its own peace officers with powers to make arrests and 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.

As more fully described in Note 9, the District is a participant in the Kleinwood Joint Powers Board (the "Board"). Oversight of the Board is exercised by the members of the Kleinwood Joint Powers Board which is comprised of representatives from the participants. Based on the criteria described above, the Board's financial activity has not been included 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 September 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.

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Regional Water Authority Credits

The District reports the surface water fee charges incurred by the District at the gross amount of the charges. Credits received for the surface water facilities construction are recorded as either a repayment of the principal amount of the construction cost or interest earned on the construction cost at 6%. The principal is amortized based upon the life of the credits and the 6% interest rate.

### 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		\$ 6,074,949
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		12,169,451
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	\$ (1,455,000)	
Less: Issuance discount (to be amortized as interest expense)	22,036	
Promissory note payable	<u>(2,434,586)</u>	(3,867,550)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	13,416	
Uncollected property taxes	<u>24,438</u>	37,854
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(22,213)</u>
Net position, end of year		<u>\$ 14,392,491</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		\$ 1,344,570
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	\$ 130,372	
Depreciation	<u>(336,834)</u>	(206,462)
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:		
Bond principal reduction	150,000	
Promissory note principal reduction	<u>175,414</u>	325,414
The funds report the effect of bond 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:		
Issuance discount		(5,267)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Accrued penalty and interest on property taxes receivable	1,754	
Uncollected property taxes	<u>8,089</u>	9,843
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>2,156</u>
Change in net position		<u><u>\$ 1,470,254</u></u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

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	\$ 6,443,898	\$ 31,976	\$	\$ 6,475,874
Park improvements	97,159			97,159
Construction in progress	189,679	8,500		198,179
Total capital assets not being depreciated	<u>6,730,736</u>	<u>40,476</u>	<u>0</u>	<u>6,771,212</u>
Depreciable capital assets:				
Water system	6,602,361			6,602,361
Sewer system	7,354,871	121,872		7,476,743
Total depreciable capital assets	<u>13,957,232</u>	<u>121,872</u>	<u>0</u>	<u>14,079,104</u>
Less accumulated depreciation for:				
Water system	(4,158,451)	(165,036)		(4,323,487)
Sewer system	(4,185,580)	(171,798)		(4,357,378)
Total accumulated depreciation	<u>(8,344,031)</u>	<u>(336,834)</u>	<u>0</u>	<u>(8,680,865)</u>
Total depreciable capital assets, net	<u>5,613,201</u>	<u>(214,962)</u>	<u>0</u>	<u>5,398,239</u>
Total capital assets, net	<u>\$ 12,343,937</u>	<u>\$ (174,486)</u>	<u>\$ 0</u>	<u>\$ 12,169,451</u>
Changes to capital assets:				
Capital outlay		\$ 162,348	\$	
Less depreciation expense for the fiscal year		(336,834)		
Net increases / decreases to capital assets		<u>\$ (174,486)</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

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	\$ 1,605,000	\$	\$ 150,000	\$ 1,455,000	\$ 150,000
Less deferred amounts:					
For issuance discounts	(27,303)		(5,267)	(22,036)	(4,801)
Total bonds payable	<u>1,577,697</u>	<u>0</u>	<u>144,733</u>	<u>1,432,964</u>	<u>145,199</u>
Promissory note payable	<u>2,578,024</u>	<u>31,976</u>	<u>175,414</u>	<u>2,434,586</u>	<u>238,692</u>
Total long-term liabilities	<u>\$ 4,155,721</u>	<u>\$ 31,976</u>	<u>\$ 320,147</u>	<u>\$ 3,867,550</u>	<u>\$ 383,891</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Fiscal Year	Principal	Interest	Total
2018	\$ 150,000	\$ 44,425	\$ 194,425
2019	175,000	39,847	214,847
2020	175,000	34,706	209,706
2021	175,000	29,347	204,347
2022	175,000	23,769	198,769
2023 - 2025	605,000	31,812	636,812
	<u>\$ 1,455,000</u>	<u>\$ 203,906</u>	<u>\$ 1,658,906</u>

Bonds voted	\$ 24,000,000
Bonds approved for sale and sold	22,570,000
Bonds voted and not issued	1,430,000
Park bonds voted	8,200,000
Park bonds approved for sale and sold	1,955,000
Park bonds voted and not issued	6,245,000

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

	<u>Series 2010A</u>
Amounts outstanding, September 30, 2017	\$1,455,000
Interest rates	2.75% to 3.50%
Maturity dates, serially beginning/ending	April 1, 2018/2025
Interest payment dates	April 1/October 1
Callable dates	April 1, 2016*

\*Or any date thereafter at the option of the District, in whole or in part, at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption.

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.

Developer Construction Commitments and Liabilities

At September 30, 2017, there were no developer construction commitments or liabilities.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Promissory Note Payable

On December 28, 2010, the District issued a promissory note issued to Encore Bank in the amount of \$3,075,000. On December 2, 2013, the District issued a \$2,900,000 promissory note to BOKF, N.A., dba Bank of Texas to refinance the Encore Bank note. On December 1, 2016, the District issued a \$2,610,000 promissory note to BOKF, N.A., dba Bank of Texas to refinance the 2013 note. The 2016 Bank of Texas note bears interest at 2.33% per annum and provides for eleven quarterly principal and interest payments of \$73,335 beginning March 1, 2017, and a balloon payment of the outstanding principal and interest to be paid on November 30, 2019. The note is secured by a lien on net revenues of the District's water and sewer system. During the fiscal year ended September 30, 2017, the District paid principal and interest of \$175,414 and \$59,919, respectively, on this note. At September 30, 2017, the unpaid principal balance of this note was \$2,434,586.

As of September 30, 2017, the debt service requirements on the loan were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 238,692	\$ 54,650	\$ 293,342
2019	244,302	49,040	293,342
2020	<u>1,951,592</u>	<u>11,368</u>	<u>1,962,960</u>
	<u>\$ 2,434,586</u>	<u>\$ 115,058</u>	<u>\$ 2,549,644</u>

### 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 Order 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.

On January 15, 1977, the voters within the District authorized a maintenance tax not to exceed \$0.25 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. On November 4, 2008, the voters authorized the District to utilize its existing operation and maintenance tax of up to \$0.25 per \$100 in valuation for planning, construction, acquiring, maintaining, repairing and operating parks and recreational facilities of the District, and for paying costs of proper services, engineering and legal fees, and organization and administration expenses of parks and recreational facilities to the extent authorized by law.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

On October 4, 2016, the District levied the following ad valorem taxes for the 2016 tax year on the adjusted taxable valuation of \$686,696,711:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.0300	\$ 206,009
Maintenance	<u>0.2500</u>	<u>1,716,742</u>
	<u>\$ 0.2800</u>	<u>\$ 1,922,751</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	\$ 1,922,751
Appraisal district adjustments to prior year taxes	<u>(7,798)</u>
Statement of Activities property tax revenues	<u>\$ 1,914,953</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. The private sector investment pool is rated AAAM by Standard & Poor's. TexPool 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 \$2,338,620 and the bank balance was \$2,434,036. Of the bank balance, \$1,517,130 was covered by federal insurance and \$916,906 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Atlanta.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$1,719,787.

At the balance sheet date the carrying value and market value of the investments in the authorized private sector investment pool was \$1,576,683.

Deposits and temporary investments restricted by state statutes and the Bond Order:

Debt Service Fund

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

Cash	<u>\$ 69,048</u>
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NOTES TO THE FINANCIAL STATEMENTS (Continued)**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 \$3,499,500, comprehensive general liability coverage with a per occurrence limit of \$2,000,000 and \$4,000,000 general aggregate, worker's compensation coverage of \$1,000,000, consultant's crime coverage of \$250,000 and a tax assessor-collector bond of \$100,000.

**NOTE 9: REGIONAL WASTEWATER FACILITIES**

Effective April 9, 1992, the District entered into a forty year agreement (amended June 1, 1993, September 8, 1997, July 25, 2005, September 9, 2013 and March 16, 2017) providing for the ownership, operation, maintenance and expansion of the Kleinwood Regional Wastewater Facility and the creation of the Kleinwood Joint Powers Board (the "Board"). As of September 30, 2017, ownership of the Board is shared by the following participants: Champions Municipal Utility District -- 5.30%, Cy-Champ Public Utility District -- 21.45%; Cypress Forest Public Utility District -- 26.50%; Harris County Water Control and Improvement District No. 114 -- 16.00%; Kleinwood Municipal Utility District -- 15.00%; Louetta North Public Utility District -- 12.50% and Klein Independent School District -- 3.25%. The Board is managed and operated by the seven member Board of Members comprised of one member appointed by each of the entities participating in the Board. The Board issues no debt. Each participant records its share of the capital assets of the Board in its financial statements.

Each participant is responsible only for its share of the operating costs of the Board which are allocated and billed monthly based upon each participant's pro rata share of capacity and equivalent single family connections serviced by the Board. Capital costs are allocated and billed based upon percentage of ownership. The District has contributed \$30,869 as its share of the Board's operating reserve. During the year ended September 30, 2017, the District incurred costs of \$123,906 and \$121,872 for operations and capital outlay, respectively.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The following summary financial data of the Board's General Fund is presented for the Board's fiscal year ended May 31, 2017:

	<u>Board Total</u>	<u>District's Share</u>
Total assets	\$ 171,179	
Total liabilities	<u>(54,692)</u>	
Total fund balance	116,487	\$ 30,869
Operating reserves	<u>(116,487)</u>	<u>(30,869)</u>
Undesignated fund balance	<u>\$ 0</u>	<u>\$ 0</u>
Total revenues	\$ 1,323,166	\$ 318,990
Total expenditures	<u>(1,323,166)</u>	<u>(318,990)</u>
Excess revenues (expenditures)	0	0
Fund balance, beginning of year	<u>116,487</u>	<u>30,869</u>
Fund balance, end of year	<u>\$ 116,487</u>	<u>\$ 30,869</u>

**NOTE 10: REGIONAL WATER AUTHORITY FEES**

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 and a surface water usage fee of \$3.35 per 1,000 gallons of water purchased from the Authority. The District's fees payable to the Authority for the fiscal year ended September 30, 2017, were \$1,221,115. The District billed its customers \$615,097 during the fiscal year to pay for the fees charged by the Authority.

Effective January 1, 2010, the Authority adopted a rate order which provided for the reimbursement to the District for costs incurred by the District to modify its system to accept surface water from the Authority. Such "Chloramine Credit" will be determined by the Authority upon completion and operation of the District's Chloramine System. The Chloramine Credit will be credited monthly to the amounts payable to the Authority for water used by the District over a 30-year period at 6% interest. The Authority determined that the allowable costs of construction were \$462,784.

The District reports the surface water fee charges incurred by the District at the gross amount of the charges. Credits received for the surface water facilities construction are recorded as either a repayment of the principal amount of the construction cost or interest earned on the construction cost at 6%. The principal is amortized based upon the life of the credits and the 6% interest rate.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

During the fiscal year ended September 30, 2017, the District received chloramine credits of \$33,624. Of this amount, \$8,292 was a repayment of principal and \$25,332 was interest.

A summary of the amortization of the remaining scheduled construction credits is as follows:

Credits Due During Fiscal Years Ending September 30	Principal	Interest	Total
2018	\$ 8,812	\$ 24,812	\$ 33,624
2019	9,363	24,261	33,624
2020	9,950	23,674	33,624
2021	10,574	23,050	33,624
2022	11,236	22,388	33,624
2023-2027	67,663	100,457	168,120
2028-2032	91,684	76,436	168,120
2033-2037	124,233	43,887	168,120
2038-2040	77,789	6,271	84,060
	<u>\$ 411,304</u>	<u>\$ 345,236</u>	<u>\$ 756,540</u>

### NOTE 11: WATER SUPPLY AND WASTE DISPOSAL CONTRACT

On December 9, 1982, the District entered into a 40 year contract with Kleinwood Municipal Utility District ("Kleinwood") for the purpose of providing water and sanitary sewer service to a shopping center partially within the boundaries of Kleinwood. The District charges the owner of the shopping center for monthly service in the same manner and amounts as a similar customer located within the District. Kleinwood also agreed to remit to the District an annual amount equal to 70 percent of the taxes collected on this property. The District recorded tax revenues from Kleinwood in the amount of \$19,763 during the fiscal year ended September 30, 2017.

### NOTE 12: GROUNDWATER BANK CERTIFICATES

The District has purchased Groundwater Bank certificates directly from the issuer, the Harris-Galveston Subsidence District (the "HGSD"). These certificates expire in 20 years and allow the bearer to pump the quantity of water specified on the certificate from wells instead of using surface water as mandated by the HGSD. Certificates can also be used in lieu of a disincentive fee assessed by the HGSD for ground water pumpage in excess of the District's permit as amended. At September 30, 2017, the District had in its possession certificates totaling 149,516 thousand gallons of water. The District values the certificates at cost which resulted in a total cost basis for the certificates on hand of \$60,850 at September 30, 2017.

### NOTE 13: STRATEGIC PARTNERSHIP AGREEMENT

On December 14, 2009 (amended and restated effective November 16, 2012), 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. 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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 \$124,806 from the City for the fiscal year ended September 30, 2017, of which \$51,211 was receivable at that date.

CYPRESS FOREST PUBLIC UTILITY DISTRICT

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>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Property taxes	\$ 1,715,000	\$ 1,715,000	\$ 1,702,715	\$ (12,285)
Water service	1,693,000	1,693,000	1,093,285	(599,715)
Sewer service	943,300	943,300	993,360	50,060
Surface water fees	0	0	615,097	615,097
Penalty	42,925	42,925	43,771	846
Tap connection and inspection fees	14,400	14,400	123,960	109,560
Tax payment from other district	13,075	13,075	19,763	6,688
Sales and Use Taxes	109,250	109,250	124,806	15,556
Interest on surface water chloramine costs	33,624	33,624	25,332	(8,292)
Interest on deposits and investments	9,175	9,175	30,229	21,054
Other revenues	5,500	5,500	28,801	23,301
<b>TOTAL REVENUES</b>	<u>4,579,249</u>	<u>4,579,249</u>	<u>4,801,119</u>	<u>221,870</u>
<b>EXPENDITURES</b>				
Service operations:				
Purchased sewer services	260,000	260,000	123,906	(136,094)
Professional fees	338,350	338,350	364,785	26,435
Contracted services	112,920	112,920	122,995	10,075
Utilities	160,380	160,380	144,360	(16,020)
Surface water fees	1,209,200	1,209,200	1,221,115	11,915
Repairs and maintenance	438,500	438,500	379,403	(59,097)
Other operating expenditures	78,700	78,700	59,255	(19,445)
Garbage disposal	510,300	510,300	509,720	(580)
Administrative expenditures	104,505	104,505	101,988	(2,517)
Capital outlay	1,852,000	1,852,000	166,822	(1,685,178)
Debt service:				
Principal retirement	171,986	171,986	175,414	3,428
Interest	59,919	59,919	59,919	0
<b>TOTAL EXPENDITURES</b>	<u>5,296,760</u>	<u>5,296,760</u>	<u>3,429,682</u>	<u>(1,867,078)</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<u>(717,511)</u>	<u>(717,511)</u>	<u>1,371,437</u>	<u>2,088,948</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>4,639,084</u>	<u>4,639,084</u>	<u>4,639,084</u>	<u>0</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 3,921,573</u>	<u>\$ 3,921,573</u>	<u>\$ 6,010,521</u>	<u>\$ 2,088,948</u>

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.

CYPRESS FOREST PUBLIC UTILITY DISTRICT  
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. Temporary Investments
- [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

CYPRESS FOREST PUBLIC UTILITY DISTRICT

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 checked="" 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:	\$7.00	4,000	N	\$1.20	4,001 to 18,000
				1.50	18,001 to 25,000
				1.80	25,001 to 40,000
				2.30	Over 40,000

WASTEWATER: \$40.00 Y

SURCHARGE: \$3.35 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: \$14.20 Wastewater: \$40.00 Surcharge: \$33.50

CYPRESS FOREST PUBLIC UTILITY DISTRICT  
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"	1,659	1,653	1.0	1,653
1"	292	292	2.5	730
1-1/2"	52	52	5.0	260
2"	15	15	8.0	120
3"	2	2	15.0	30
4"	3	3	25.0	75
6"	3	3	50.0	150
8"	2	2	80.0	160
10"	0	0	115.0	0
Total Water	<u>2,028</u>	<u>2,022</u>		<u>3,178</u>
Total Wastewater	<u>1,897</u>	<u>1,883</u>	1.0	<u>1,883</u>

\*Single family equivalents

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

Gallons pumped into system (unaudited): 410,142  
 Gallons billed to customers (unaudited): 387,544

Water Accountability Ratio  
 (Gallons billed/ gallons pumped): 94%

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

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

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

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

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

CYPRESS FOREST PUBLIC UTILITY DISTRICT

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>
CURRENT				
Purchased sewer services	\$ 123,906	\$ 0	\$ 0	\$ 123,906
Professional fees:				
Auditing	10,600			10,600
Legal	75,609	2,714		78,323
Financial advisor	1,600			1,600
Engineering	276,976			276,976
	<u>364,785</u>	<u>2,714</u>	<u>0</u>	<u>367,499</u>
Contracted services:				
Bookkeeping	29,175			29,175
Operation and billing	92,060			92,060
Sales tax consultant	1,760			1,760
Tax assessor-collector		34,013		34,013
Central appraisal district		14,176		14,176
	<u>122,995</u>	<u>48,189</u>	<u>0</u>	<u>171,184</u>
Utilities	<u>144,360</u>	<u>0</u>	<u>0</u>	<u>144,360</u>
Surface water fees:				
Ground water pumpage fees	110,768			110,768
Purchased surface water	1,110,347			1,110,347
	<u>1,221,115</u>	<u>0</u>	<u>0</u>	<u>1,221,115</u>
Repairs and maintenance	<u>379,403</u>	<u>0</u>	<u>0</u>	<u>379,403</u>
Other operating expenditures:				
Chemicals	13,619			13,619
Laboratory costs	19,775			19,775
Sewer inspection costs	15,461			15,461
TCEQ assessment	10,400			10,400
	<u>59,255</u>	<u>0</u>	<u>0</u>	<u>59,255</u>
Garbage disposal	<u>509,720</u>	<u>0</u>	<u>0</u>	<u>509,720</u>
Administrative expenditures:				
Director's fees	26,400			26,400
Office supplies and postage	33,889			33,889
Insurance	16,614	400		17,014
Permit fees	5,216			5,216
Other	19,869	4,241	0	24,110
	<u>101,988</u>	<u>4,641</u>	<u>0</u>	<u>106,629</u>

See accompanying independent auditor's report.

CYPRESS FOREST PUBLIC UTILITY DISTRICTEXPENDITURES (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	\$ 130,372	\$	\$	\$ 130,372
Tap connection costs	36,450			36,450
	<u>166,822</u>	<u>0</u>	<u>0</u>	<u>166,822</u>
<b>DEBT SERVICE</b>				
Principal retirement	<u>175,414</u>	<u>150,000</u>	<u>0</u>	<u>325,414</u>
Interest and fees:				
Interest	59,919	48,738		108,657
Paying agent fees		500		500
	<u>59,919</u>	<u>49,238</u>	<u>0</u>	<u>109,157</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 3,429,682</u>	<u>\$ 254,782</u>	<u>\$ 0</u>	<u>\$ 3,684,464</u>

See accompanying independent auditor's report.

CYPRESS FOREST PUBLIC UTILITY DISTRICT

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	\$ 3,019,472	\$ 217,915	\$	\$ 3,237,387
Maintenance tax receipts		1,702,715		1,702,715
Transfer of maintenance taxes	1,700,177			1,700,177
Repayment of chloramine const. credit principal	8,292			8,292
Increase in customer deposits	1,784			1,784
Overpayments from taxpayers		16,086		16,086
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED</b>	<u>4,729,725</u>	<u>1,936,716</u>	<u>0</u>	<u>6,666,441</u>
<b>APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS</b>				
Cash disbursements for:				
Current expenditures	3,023,799	54,491		3,078,290
Capital outlay	166,822			166,822
Debt service	235,333	199,238		434,571
Transfer of maintenance taxes		1,700,177		1,700,177
Refund of taxpayer overpayments		14,941		14,941
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED</b>	<u>3,425,954</u>	<u>1,968,847</u>	<u>0</u>	<u>5,394,801</u>
<b>INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS</b>	1,303,771	(32,131)	0	1,271,640
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR</b>	<u>4,262,271</u>	<u>101,179</u>	<u>0</u>	<u>4,363,450</u>
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR</b>	<u>\$ 5,566,042</u>	<u>\$ 69,048</u>	<u>\$ 0</u>	<u>\$ 5,635,090</u>

See accompanying independent auditor's report.



CYPRESS FOREST PUBLIC UTILITY DISTRICT  
SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS  
SEPTEMBER 30, 2017

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of Deposit				
No. 1002798734	1.10%	3/01/18	\$ 243,948	\$ 214
No. 33000348651	0.95%	3/01/18	<u>96,028</u>	<u>72</u>
			<u>\$ 339,976</u>	<u>\$ 286</u>
TexPool				
No. 1017900001	Market	On demand	\$ 1,719,787	\$ 0
Texas CLASS				
No. TX-01-0021-0006	Market	On demand	<u>1,576,683</u>	<u>0</u>
			<u>\$ 3,296,470</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 3,636,446</u>	<u>\$ 286</u>

CYPRESS FOREST PUBLIC UTILITY DISTRICT

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 10,126	\$ 6,223
Additions and corrections to prior year taxes	<u>(6,101)</u>	<u>(1,697)</u>
Adjusted receivable, beginning of year	4,025	4,526
2016 ADJUSTED TAX ROLL	<u>1,716,742</u>	<u>206,009</u>
Total to be accounted for	1,720,767	210,535
Tax collections: Current tax year	(1,705,637)	(204,676)
Prior tax years	<u>2,922</u>	<u>527</u>
RECEIVABLE, END OF YEAR	<u>\$ 18,052</u>	<u>\$ 6,386</u>

RECEIVABLE, BY TAX YEAR

2007	\$ 16	\$ 44
2008	23	44
2009	328	596
2010	414	753
2011	861	840
2012	825	805
2013	856	776
2014	778	705
2015	2,846	490
2016	<u>11,105</u>	<u>1,333</u>
RECEIVABLE, END OF YEAR	<u>\$ 18,052</u>	<u>\$ 6,386</u>

See accompanying independent auditor's report.

CYPRESS FOREST PUBLIC UTILITY DISTRICT  
TAXES LEVIED AND RECEIVABLE (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	2016	2015	2014	2013
Land	\$ 159,572,499	\$ 156,395,056	\$ 144,419,060	\$ 131,057,854
Improvements	613,949,364	575,539,535	532,356,930	499,263,364
Personal property	17,669,961	19,666,197	18,434,772	18,256,821
Less exemptions	(104,495,113)	(102,806,847)	(98,868,361)	(94,179,388)
<b>TOTAL PROPERTY VALUATIONS</b>	<b>\$ 686,696,711</b>	<b>\$ 648,793,941</b>	<b>\$ 596,342,401</b>	<b>\$ 554,398,651</b>
TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.03000	\$ 0.04300	\$ 0.15300	\$ 0.15400
Maintenance tax rates*	0.25000	0.25000	0.16890	0.17000
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<b>\$ 0.28000</b>	<b>\$ 0.29300</b>	<b>\$ 0.32190</b>	<b>\$ 0.32400</b>
TAX ROLLS	<b>\$ 1,922,751</b>	<b>\$ 1,900,966</b>	<b>\$ 1,919,626</b>	<b>\$ 1,796,252</b>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>99.4 %</u>	<u>9,928.0 %</u>	<u>99.9 %</u>	<u>99.9 %</u>

\*Maximum tax rate approved by voters on January 15, 1977: \$0.25

CYPRESS FOREST PUBLIC UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS  
SEPTEMBER 30, 2017

Series 2010A			
Due During Fiscal Years Ending September 30	Principal Due April 1	Interest Due April 1, October 1	Total
2018	\$ 150,000	\$ 44,425	\$ 194,425
2019	175,000	39,847	214,847
2020	175,000	34,706	209,706
2021	175,000	29,347	204,347
2022	175,000	23,769	198,769
2023	200,000	17,550	217,550
2024	200,000	10,675	210,675
2025	205,000	3,587	208,587
TOTALS	<u>\$ 1,455,000</u>	<u>\$ 203,906</u>	<u>\$ 1,658,906</u>

See accompanying independent auditor's report.

CYPRESS FOREST PUBLIC UTILITY DISTRICT  
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Bond Series:	2010A
Interest Rate:	2.75% to 3.50%
Dates Interest Payable:	April 1, October 1
Maturity Dates:	April 1, 2018/2025
Bonds Outstanding at Beginning of Current Year	\$ 1,605,000
Less Retirements	<u>(150,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 1,455,000</u>
Current Year Interest Paid	<u>\$ 48,738</u>

Bond Descriptions and Original Amount of Issue

Cypress Forest Public Utility District Unlimited Tax Park Bonds, Series 2010A (\$1,955,000)

Paying Agent/Registrar

Wells Fargo Bank of Texas, N.A., Houston, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds*</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 24,000,000	\$ 8,200,000	\$ 0
Amount Issued	22,570,000	1,955,000	
Remaining to be Issued	1,430,000	6,245,000	

\*See Note 5 of the Notes to the financial statements.

Net Debt Service Fund deposits and investments balances as of September 30, 2017:	\$ 64,428
Average annual debt service payment for remaining term of all debt:	207,363

See accompanying independent auditor's report.

# CYPRESS FOREST PUBLIC UTILITY DISTRICT

## 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
<b>REVENUES</b>										
Property taxes	\$ 1,702,715	\$ 1,626,475	\$ 1,004,361	\$ 943,145	\$ 897,384	35.5 %	37.2 %	28.1 %	26.4 %	23.7 %
Water service	1,093,285	1,480,479	1,328,880	1,409,268	1,619,261	22.8	33.9	37.4	39.6	42.9
Sewer service	993,360	988,900	989,227	992,981	1,020,587	20.7	22.6	27.7	27.8	27.0
Surface water fees	615,097	0	0	0	0	12.8	0.0	0.0	0.0	0.0
Penalty	43,771	42,161	40,463	41,289	47,310	0.9	1.0	1.1	1.2	1.3
Tap connection and inspection fees	123,960	38,900	7,500	4,500	13,088	2.6	0.9	0.2	0.1	0.3
Tax payment from other district	19,763	13,064	13,574	17,013	18,859	0.4	0.3	0.4	0.5	0.5
Sales and Use Taxes	124,806	115,488	96,808	85,968	93,110	2.6	2.6	2.7	2.4	2.5
Interest on surface water construction costs	25,332	25,821	26,281	26,711	27,121	0.5	0.6	0.7	0.7	0.7
Interest on deposits and investments	30,229	12,834	8,588	8,268	8,680	0.6	0.3	0.2	0.2	0.2
Other revenues	28,801	25,709	52,613	40,741	34,070	0.6	0.6	1.5	1.1	0.9
<b>TOTAL REVENUES</b>	<b>4,801,119</b>	<b>4,369,831</b>	<b>3,568,295</b>	<b>3,569,764</b>	<b>3,779,470</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>EXPENDITURES</b>										
Current:										
Purchased sewer services	123,906	300,825	219,121	210,830	227,150	2.6	6.9	6.1	5.9	6.0
Professional fees	364,785	327,817	273,105	360,760	260,229	7.6	7.5	7.7	10.1	6.9
Contracted services	122,995	109,967	103,449	100,846	100,538	2.6	2.5	2.9	2.8	2.7
Utilities	144,360	156,583	163,171	162,057	164,515	3.0	3.6	4.6	4.5	4.4
Surface water fees	1,221,115	1,023,475	904,581	937,340	1,064,895	25.4	23.5	25.4	26.2	28.0
Repairs and maintenance	379,403	292,507	292,378	371,522	268,785	7.9	6.7	8.2	10.4	7.1
Other operating expenditures	59,255	67,372	61,959	73,796	97,731	1.2	1.5	1.7	2.1	2.6
Garbage disposal	509,720	509,723	524,270	505,377	497,148	10.6	11.7	14.7	14.2	13.2
Administrative expenditures	101,988	93,714	93,443	111,024	92,848	2.1	2.1	2.6	3.1	2.5
Capital outlay	166,822	335,243	28,075	288,086	248,324	3.5	7.7	0.8	8.1	6.6
Debt Service:										
Principal retirement	175,414	119,521	116,717	85,738	100,493	3.7	2.7	3.3	2.4	2.7
Interest	59,919	63,140	65,923	74,102	136,957	1.2	1.4	1.8	2.1	3.6
<b>TOTAL EXPENDITURES</b>	<b>3,429,682</b>	<b>3,399,887</b>	<b>2,846,192</b>	<b>3,281,478</b>	<b>3,259,613</b>	<b>71.4</b>	<b>77.8</b>	<b>79.8</b>	<b>91.9</b>	<b>86.3</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>\$ 1,371,437</b>	<b>\$ 969,944</b>	<b>\$ 722,103</b>	<b>\$ 288,286</b>	<b>\$ 519,857</b>	<b>28.6 %</b>	<b>22.2 %</b>	<b>20.2 %</b>	<b>8.1 %</b>	<b>13.7 %</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>2,022</b>	<b>2,004</b>	<b>1,993</b>	<b>1,990</b>	<b>1,980</b>					
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>1,883</b>	<b>1,881</b>	<b>1,866</b>	<b>1,858</b>	<b>1,883</b>					

See accompanying independent auditor's report.

CYPRESS FOREST PUBLIC UTILITY DISTRICT

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
DEBT SERVICE FUND

FOR YEARS ENDED SEPTEMBER 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
REVENUES										
Property taxes	\$ 204,149	\$ 288,488	\$ 909,427	\$ 854,649	\$ 875,582	93.6 %	92.4 %	98.2 %	98.3 %	97.9 %
Penalty and interest	13,653	23,708	16,844	14,628	18,748	6.3	7.6	1.8	1.7	2.1
Interest on deposits and investments	113	100	86	230	394	0.1	0.0	0.0	0.0	0.0
TOTAL REVENUES	217,915	312,296	926,357	869,507	894,724	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	2,714	5,413	3,363	3,972	6,107	1.2	1.7	0.4	0.5	0.7
Contracted services	48,189	48,674	47,449	45,519	45,656	22.1	15.6	5.1	5.2	5.1
Other expenditures	4,641	7,925	7,699	6,155	4,097	2.1	2.5	0.8	0.7	0.5
Debt service:										
Principal retirement	150,000	150,000	985,000	915,000	850,000	68.9	48.1	106.3	105.2	95.0
Interest and fees	49,238	54,088	73,956	107,713	138,119	22.6	17.3	8.0	12.4	15.4
TOTAL EXPENDITURES	254,782	266,100	1,117,467	1,078,359	1,043,979	116.9	85.2	120.6	124.0	116.7
EXCESS REVENUES (EXPENDITURES)	\$ (36,867)	\$ 46,196	\$ (191,110)	\$ (208,852)	\$ (149,255)	(16.9) %	14.8 %	(20.6) %	(24.0) %	(16.7) %
TRANSFER FROM GENERAL FUND	\$ 0	\$ 0	\$ 200,000	\$ 223,000	\$ 32,000					

See accompanying independent auditor's report.

CYPRESS FOREST PUBLIC UTILITY DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

SEPTEMBER 30, 2017

Complete District Mailing Address: Cypress Forest Public Utility District  
c/o Allen Boone Humphries Robinson LLP  
3200 Southwest Freeway, Suite 2600  
Houston, Texas 77027

District Business Telephone No.: 713-860-6417

Submission date of the most recent District Registration Form: August 2, 2016

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

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>
Greg DiCioccio c/o ABHR LLP 3200 Southwest Freeway Suite 2600 Houston, Texas 77027	Elected 5/07/16- 5/02/20	\$ 7,200	\$ 1,577	President
Thomas J. Petrick c/o ABHR LLP 3200 Southwest Freeway Suite 2600 Houston, Texas 77027	Elected 5/07/16- 5/02/20	7,200	1,045	Vice President
David Normand c/o ABHR LLP 3200 Southwest Freeway Suite 2600 Houston, Texas 77027	Elected 6/03/14- 5/05/18	7,200	0	Secretary
John N. Parker c/o ABHR LLP 3200 Southwest Freeway Suite 2600 Houston, Texas 77027	Elected 6/03/14- 5/05/18	2,400	1,415	Assistant Secretary
James B. Fryogle c/o ABHR LLP 3200 Southwest Freeway Suite 2600 Houston, Texas 77027	Elected 5/07/16- 5/02/20	2,400	942	Assistant Vice President

See accompanying independent auditor's report.



CYPRESS FOREST PUBLIC UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)SEPTEMBER 30, 2017CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	9/02/03	\$ 95,572 14,000 Note	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, Texas 77008	3/05/96	2,714	Delinquent Tax Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	12/02/80	30,636	Bookkeeper
Mary Jarmon 3401 Louisiana, Suite 400 Houston, Texas 77002	5/06/03	0	Investment Officer
EDP Water Utility Services 17495 Village Green Drive Houston, Texas 77040	7/01/12	410,299	Operator
Pepe Engineering, Ltd. 10497 Town & Country Way, Suite 700 Houston, Texas 77024	4/01/76	285,476	Engineer
Esther Flores 12841 Capricorn Street Stafford, Texas 77477	1/08/08	37,381	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	14,176	Central Appraisal District
The GMS Group, Inc. 5075 Westheimer, Suite 1175 Houston, Texas 77056	8/05/08	1,600 14,000 Note	Financial Advisor
Roth & Eyring, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	10/02/07	10,600	Independent Auditor

See accompanying independent auditor's report.