

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2017

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 71
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 71 (the "District"), as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Harris County Municipal
Utility District No. 71

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 March 31, 2017, and the respective changes in financial position for the period 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 and the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual, General Fund and Special Revenue Fund, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

July 26, 2017

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2017**

Management's discussion and analysis of Harris County Municipal Utility District No. 71's (the "District") financial performance provides an overview of the District's financial activities for the year ended March 31, 2017. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The 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 government-wide portion of the Statement of Net Position presents information that includes all of the District's assets and liabilities, 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 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 four governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Special Revenue Fund accounts for the activities of the joint water and joint wastewater treatment facilities. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2017**

FUND FINANCIAL STATEMENTS (Continued)

and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources and the cost of assessing and for acquisition or construction of facilities and related costs.

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"). Budgetary comparison schedules are included as RSI for the General Fund and Special Revenue Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$9,312,313 as of March 31, 2017. A portion of the District's net position reflects its net investment in capital assets (land, water, wastewater and drainage facilities as well as buildings and equipment less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of the government-wide change in net position:

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2017	2016	Change Positive (Negative)
Current and Other Assets	\$ 23,785,466	\$ 25,012,569	\$ (1,227,103)
Capital Assets (Net of Accumulated Depreciation)	38,999,879	37,188,190	1,811,689
Total Assets	\$ 62,785,345	\$ 62,200,759	\$ 584,586
Deferred Outflows of Resources	\$ 1,238,617	\$ 1,314,968	\$ (76,351)
Bonds Payable	\$ 50,422,195	\$ 53,166,595	\$ 2,744,400
Due to Developer	2,723,225	3,278,225	555,000
Other Liabilities	1,566,229	1,357,551	(208,678)
Total Liabilities	\$ 54,711,649	\$ 57,802,371	\$ 3,090,722
Net Investment in Capital Assets	\$ (7,836,619)	\$ (10,212,338)	\$ 2,375,719
Restricted	5,863,806	6,127,823	(264,017)
Unrestricted	11,285,126	9,797,871	1,487,255
Total Net Position	\$ 9,312,313	\$ 5,713,356	\$ 3,598,957

The following table provides a comparative analysis of the District's operations for the years ending March 31, 2017, and March 31, 2016.

	Summary of Changes in the Statement of Activities		
	2017	2016	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 5,867,807	\$ 5,746,648	\$ 121,159
Charges for Services	4,524,172	4,740,528	(216,356)
Other Revenues	844,308	316,382	527,926
Total Revenues	\$ 11,236,287	\$ 10,803,558	\$ 432,729
Expenses for Services	7,637,330	8,209,900	572,570
Change in Net Position	\$ 3,598,957	\$ 2,593,658	\$ 1,005,299
Net Position, Beginning of Year	5,713,356	3,119,698	2,593,658
Net Position, End of Year	\$ 9,312,313	\$ 5,713,356	\$ 3,598,957

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2017, were \$21,820,817, a decrease of \$1,347,800 from the prior year.

The General Fund fund balance increased by \$1,501,993, primarily due to service and tax revenues exceeding operating expenditures.

The Debt Service Fund fund balance decreased by \$190,774, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$2,659,019, primarily due to current year capital outlay funded by bonds issued in prior years.

The Special Revenue Fund is revenue neutral. Costs are billed to the participants as incurred.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted a budget on February 18, 2016. Actual revenues were \$418,705 more than budgeted revenues primarily due to property tax and service revenues being higher than anticipated. Actual expenditures were \$1,077,294 less than budgeted expenditures primarily due to purchased services and repair and maintenance costs being less than budgeted.

CAPITAL ASSETS

Capital assets as of March 31, 2017, total \$38,999,879 (net of accumulated depreciation) and include land, buildings and equipment, as well as the water, wastewater and drainage systems. Current year capital asset activity primarily consisted of wastewater treatment plant improvements, water plant nos. 1 and 2 improvements, water plant no. 3 construction, Mason Road sanitary sewer extension, and reimbursement to developers for water, sanitary sewer, and drainage serving Lakes of Mason Park, Sections 3 and 4.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2017	2016	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 3,798,238	\$ 3,798,238	\$
Construction in Progress	3,261,678	1,725,789	1,535,889
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Equipment	906,088	790,483	115,605
Water System	8,462,014	8,827,467	(365,453)
Wastewater System	14,807,824	14,069,019	738,805
Drainage System	7,764,037	7,977,194	(213,157)
Total Net Capital Assets	<u>\$ 38,999,879</u>	<u>\$ 37,188,190</u>	<u>\$ 1,811,689</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2017

LONG-TERM DEBT ACTIVITY

As of March 31, 2017, the District had total bond debt payable of \$50,180,000. The changes in the debt position of the District during the year ended March 31, 2017, are summarized as follows:

Bond Debt Payable, April 1, 2016	\$ 52,905,000
Less: Bond Principal Paid	<u>2,725,000</u>
Bond Debt Payable, March 31, 2017	<u>\$ 50,180,000</u>

The District carries underlying ratings of "BBB+" by Standard & Poor's. The Series 2007, 2009, 2012A and 2013 bonds carry an "AA" rating by virtue of bond insurance issued by either Assured Guaranty Corporation or Assured Guaranty Municipal. The Series 2014, 2014A, 2015, 2015A and 2016 bonds carry an "AA" rating by virtue of bond insurance issued by Build America Mutual Assurance Company. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The ratings above include all rating changes through March 31, 2017.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 71, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>
ASSETS		
Cash	\$ 5,585,231	\$ 309,870
Investments	5,742,088	51,886
Receivables:		
Property Taxes	63,062	
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Uncollectible Accounts of \$10,000)	344,067	
Accrued Interest	11,452	
Other	13,309	
Due from Other Funds	5,250	205,726
Prepaid Costs	19,139	
Due from Participants		62,602
Advance for Joint Facilities Operations	413,660	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 12,197,258</u>	<u>\$ 630,084</u>
DEFERRED OUTLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 2,533,055	\$ 1,022,262	\$ 9,450,418	\$	\$ 9,450,418
3,233,190	4,310,881	13,338,045		13,338,045
175,530		238,592		238,592
			57,656	57,656
		344,067		344,067
4,437		15,889		15,889
	8,066	21,375		21,375
147		211,123	(211,123)	
		19,139	237,683	256,822
		62,602		62,602
		413,660	(413,660)	
			3,798,238	3,798,238
			3,261,678	3,261,678
			31,939,963	31,939,963
<u>\$ 5,946,359</u>	<u>\$ 5,341,209</u>	<u>\$ 24,114,910</u>	<u>\$ 38,670,435</u>	<u>\$ 62,785,345</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,238,617</u>	<u>\$ 1,238,617</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>
LIABILITIES		
Accounts Payable	\$ 459,317	\$ 163,559
Participant Advances		466,525
Accrued Interest Payable		
Due to Developers		
Due to Other Funds	205,873	
Security Deposits	484,625	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 1,149,815</u>	<u>\$ 630,084</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 63,062</u>	<u>\$ -0-</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 19,139	\$
Joint Facilities Operating Advance	413,660	
Restricted for Authorized Construction		
Restricted for Debt Service		
Unassigned	<u>10,551,582</u>	
TOTAL FUND BALANCES	<u>\$ 10,984,381</u>	<u>\$ - 0 -</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 12,197,258</u>	<u>\$ 630,084</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.

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 2,198	\$ 268,154	\$ 893,228	\$	\$ 893,228
		466,525	(413,660)	52,865
			135,511	135,511
			2,723,225	2,723,225
2,500	2,750	211,123	(211,123)	
		484,625		484,625
			2,565,000	2,565,000
			47,857,195	47,857,195
<u>\$ 4,698</u>	<u>\$ 270,904</u>	<u>\$ 2,055,501</u>	<u>\$ 52,656,148</u>	<u>\$ 54,711,649</u>
<u>\$ 175,530</u>	<u>\$ -0-</u>	<u>\$ 238,592</u>	<u>\$ (238,592)</u>	<u>\$ -0-</u>
\$	\$	\$ 19,139	\$ (19,139)	\$
		413,660	(413,660)	
	5,070,305	5,070,305	(5,070,305)	
5,766,131		5,766,131	(5,766,131)	
		10,551,582	(10,551,582)	
<u>\$ 5,766,131</u>	<u>\$ 5,070,305</u>	<u>\$ 21,820,817</u>	<u>\$ (21,820,817)</u>	<u>\$ - 0 -</u>
<u>\$ 5,946,359</u>	<u>\$ 5,341,209</u>	<u>\$ 24,114,910</u>		
			\$ (7,836,619)	\$ (7,836,619)
			5,863,806	5,863,806
			11,285,126	11,285,126
			<u>\$ 9,312,313</u>	<u>\$ 9,312,313</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2017

Total Fund Balances - Governmental Funds	\$ 21,820,817
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Deferred charges on refunding bonds are not expenditures of the current period.	1,238,617
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Prepaid bond insurance is amortized over the term of the refunding bonds.	237,683
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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.	38,999,879
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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.	296,248
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (2,723,225)	
Accrued Interest Payable	(135,511)	
Bonds Payable	(50,422,195)	(53,280,931)
Total Net Position - Governmental Activities		\$ 9,312,313

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>
REVENUES		
Property Taxes	\$ 1,642,634	\$
Water Service	1,415,659	1,560,508
Wastewater Service	1,571,932	826,641
Regional Water Authority Fees	931,649	
Penalty and Interest	110,703	
Tap Connection and Inspection Fees	20,650	
Sales Tax Revenues	44,971	
Capital Advances		
Miscellaneous Revenues	98,325	1,215
TOTAL REVENUES	<u>\$ 5,836,523</u>	<u>\$ 2,388,364</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 263,049	\$ 31,650
Contracted Services	1,043,292	118,450
Purchased Water Service	1,208,641	
Purchased Wastewater Service	772,922	
Utilities	43,278	286,060
Regional Water Authority Assessments		1,221,149
Repairs and Maintenance	667,537	298,539
Depreciation		
Other	217,193	313,901
Capital Outlay	118,618	118,615
Debt Service:		
Bond Principal		
Bond Interest		
TOTAL EXPENDITURES/EXPENSES	<u>\$ 4,334,530</u>	<u>\$ 2,388,364</u>
NET CHANGE IN FUND BALANCES	<u>\$ 1,501,993</u>	<u>\$ - 0 -</u>
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2016	<u>9,482,388</u>	
FUND BALANCES/NET POSITION - MARCH 31, 2017	<u>\$ 10,984,381</u>	<u>\$ - 0 -</u>

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 4,240,941	\$	\$ 5,883,575	\$ (15,768)	\$ 5,867,807
		2,976,167	(1,208,641)	1,767,526
		2,398,573	(772,922)	1,625,651
		931,649		931,649
65,792		176,495	2,201	178,696
		20,650		20,650
		44,971		44,971
	656,727	656,727		656,727
20,774	22,296	142,610		142,610
<u>\$ 4,327,507</u>	<u>\$ 679,023</u>	<u>\$ 13,231,417</u>	<u>\$ (1,995,130)</u>	<u>\$ 11,236,287</u>
\$ 20,902	\$ 29,299	\$ 344,900	\$	\$ 344,900
110,031		1,271,773		1,271,773
		1,208,641	(1,208,641)	
		772,922	(772,922)	
		329,338		329,338
		1,221,149		1,221,149
		966,076		966,076
			1,178,840	1,178,840
12,946	447	544,487		544,487
	3,308,296	3,545,529	(3,545,529)	
2,725,000		2,725,000	(2,725,000)	
1,649,402		1,649,402	131,365	1,780,767
<u>\$ 4,518,281</u>	<u>\$ 3,338,042</u>	<u>\$ 14,579,217</u>	<u>\$ (6,941,887)</u>	<u>\$ 7,637,330</u>
\$ (190,774)	\$ (2,659,019)	\$ (1,347,800)	\$ 1,347,800	\$
			3,598,957	3,598,957
5,956,905	7,729,324	23,168,617	(17,455,261)	5,713,356
<u>\$ 5,766,131</u>	<u>\$ 5,070,305</u>	<u>\$ 21,820,817</u>	<u>\$ (12,508,504)</u>	<u>\$ 9,312,313</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2017**

Net Change in Fund Balances - Governmental Funds	\$ (1,347,800)
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.	(15,768)
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.	2,201
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.	(1,178,840)
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.	3,545,529
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	2,725,000
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.	(131,365)
Change in Net Position - Governmental Activities	<u>\$ 3,598,957</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 71 (the "District") was created by an order of the Texas Water Commission, dated December 13, 1977. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic 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.

The District participates in a joint venture for the operation of the joint water facilities and wastewater treatment facilities. Since the District exercises oversight responsibility for the plants, the plants' operations are accounted for in the Special Revenue Fund of the District (see Note 8). The District does not issue separate financial statements for this joint venture.

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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

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:

- 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 net position 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 net position 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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 to obtain net total revenues and expenses of the government-wide Statements 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.

Governmental Funds

The District has four governmental funds and considers them to be major funds.

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

Special Revenue Fund – To account for financial resources collected and administered by the District for the operation of the joint water facilities and wastewater treatment facilities.

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

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

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include taxes collected during the current period and taxes collected after year-end, which were considered available to defray the expenditures of the current period. 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 March 31, 2017, the General Fund owed \$205,726 to the Special Revenue Fund for joint water and wastewater operations and the General Fund owed \$147 to the Debt Service Fund for the over transfer of maintenance tax revenue. The Debt Service Fund owed \$2,500 to the General Fund for arbitrage costs. The Capital Projects Fund owed \$2,750 to the General Fund for construction related costs.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts unappropriated budgets for both the General Fund and Special Revenue Fund.

Pensions

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

Measurement Focus

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

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

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

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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 and 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.

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Series 2007	Series 2009	Series 2012	Refunding Series 2012A
Amount Outstanding – March 31, 2017	\$ 325,000	\$450,000	\$3,675,000	\$3,920,000
Interest Rates	4.00%	5.00% - 6.00%	3.00% - 4.20%	2.70% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2017	September 1, 2017/2019	September 1, 2017/2033	March 1, 2018/2029
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2017 *	September 1, 2018*	September 1, 2020*	March 1, 2020*

- * Or any interest payment date thereafter, callable at par, plus unpaid accrued interest in whole or in part, at the option of the District. Series 2012 term bonds maturing March 1, 2029, March 1, 2031, and March 1, 2033, are subject to mandatory redemption beginning March 1, 2021, March 1, 2030, and March 1, 2032. Series 2012A Refunding term bonds maturing March 1, 2029, are subject to mandatory redemption beginning March 1, 2028.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

NOTE 3. LONG-TERM DEBT (Continued)

	Refunding Series 2013	Series 2014	Refunding Series 2014A
Amount Outstanding – March 31, 2017	\$3,280,000	\$5,200,000	\$4,020,000
Interest Rates	2.00% - 3.50%	4.00% - 6.00%	2.00% - 3.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2018/2029	September 1, 2017/2036	March 1, 2018/2022
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	March 1, 2020*	September 1, 2022*	N/A
	Refunding Series 2015	Series 2015A	Refunding Series 2016
Amount Outstanding – March 31, 2017	\$6,280,000	\$ 7,745,000	\$ 15,285,000
Interest Rates	2.00% - 3.25%	2.00% - 3.375%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2018/2030	September 1, 2017/2036	September 1, 2017/2033
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	March 1, 2022*	September 1, 2023*	September 1, 2023*

* Or any interest payment date thereafter, callable at par, plus unpaid accrued interest in whole or in part, at the option of the District. Series 2014 term bonds maturing September 1, 2030, are subject to mandatory redemption beginning September 1, 2025.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

NOTE 3. LONG-TERM DEBT (Continued)

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

	April 1, 2016	Additions	Retired	March 31, 2017
Bonds Payable	\$ 52,905,000	\$	\$ 2,725,000	\$ 50,180,000
Unamortized Discounts	(397,094)		(21,899)	(375,195)
Unamortized Premiums	658,689		41,299	617,390
Bonds Payable, Net	<u>\$ 53,166,595</u>	<u>\$ -0-</u>	<u>\$ 2,744,400</u>	<u>\$ 50,422,195</u>
			Amount Due Within One Year	\$ 2,565,000
			Amount Due After One Year	47,857,195
			Bonds Payable, Net	<u>\$ 50,422,195</u>

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

Fiscal Year	Principal	Interest	Total
2018	\$ 2,565,000	\$ 1,607,110	\$ 4,172,110
2019	2,615,000	1,535,794	4,150,794
2020	2,635,000	1,466,731	4,101,731
2021	2,700,000	1,396,561	4,096,561
2022	2,740,000	1,321,888	4,061,888
2023-2027	13,870,000	5,388,530	19,258,530
2028-2032	14,160,000	3,000,443	17,160,443
2033-2037	8,895,000	705,917	9,600,917
	<u>\$ 50,180,000</u>	<u>\$ 16,422,974</u>	<u>\$ 66,602,974</u>

As of March 31, 2017, the District has authorized but unissued tax bonds of \$10,324,230 for the purpose of purchasing and constructing water supply and distribution, wastewater collection and treatment and storm drainage facilities and refunding purposes, \$26,275,000 of unlimited tax refunding bonds authorized but unissued, and authorized but unissued park bonds of \$6,630,000. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

The District levied an ad valorem debt service tax rate of \$0.64 per \$100 of assessed valuation, which resulted in a tax levy of \$4,212,087 on the adjusted taxable valuation of \$658,138,667 for the 2016 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

NOTE 3. LONG-TERM DEBT (Continued)

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 RESOLUTION AND LEGAL REQUIREMENTS

The bond resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District 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 and shall continue to be provided through the life of the bonds.

The District has covenanted that it will take necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of the issue.

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 year end, the carrying amount of the District's deposits was \$13,904,229 and the bank balance was \$14,195,453. The District was not exposed to custodial credit risk at year end.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 5,585,231	\$ 3,231,668	\$ 8,816,899
SPECIAL REVENUE FUND	309,870		309,870
DEBT SERVICE FUND	2,533,055	1,222,143	3,755,198
CAPITAL PROJECTS FUND	1,022,262		1,022,262
TOTAL DEPOSITS	<u>\$ 9,450,418</u>	<u>\$ 4,453,811</u>	<u>\$ 13,904,229</u>

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 (PFIA). The PFIA authorizes the following investments: (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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances 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's investment policy allows the District to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities; (2) other obligations unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or its agencies and instrumentalities; (3) insured or collateralized certificates of deposit; and (4) TexPool and Texas CLASS investment pools.

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.

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

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 2,510,420	\$ 2,510,420
Certificates of Deposit	3,231,668	3,231,668
<u>SPECIAL REVENUE FUND</u>		
TexPool	51,886	51,886
<u>DEBT SERVICE FUND</u>		
TexPool	2,011,047	2,011,047
Certificates of Deposit	1,222,143	1,222,143
<u>CAPITAL PROJECTS FUND</u>		
TexPool	4,310,881	4,310,881
TOTAL INVESTMENTS	<u>\$ 13,338,045</u>	<u>\$ 13,338,045</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2017, the District's investment in TexPool was rated AAAm by Standard and Poor's. The District manages credit risk by investing in certificates of deposit with balances below FDIC insurance or those which are secured by pledged collateral.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one-year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

All cash and investments of the Special Revenue Fund are restricted for the payment of operating and maintenance costs of the joint water facilities and wastewater treatment facilities. All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

NOTE 6. CAPITAL ASSETS

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

	April 1, 2016	Increases	Decreases	March 31, 2017
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 3,798,238	\$	\$	\$ 3,798,238
Construction in Progress	<u>1,725,789</u>	<u>2,990,529</u>	<u>1,454,640</u>	<u>3,261,678</u>
Total Capital Assets Not Being Depreciated	<u>\$ 5,524,027</u>	<u>\$ 2,990,529</u>	<u>\$ 1,454,640</u>	<u>\$ 7,059,916</u>
Capital Assets Subject to Depreciation				
Buildings and Equipment	\$ 1,233,772	\$ 158,618	\$	\$ 1,392,390
Water System	12,979,319			12,979,319
Wastewater System	20,153,131	1,296,022		21,449,153
Drainage System	<u>9,592,084</u>			<u>9,592,084</u>
Total Capital Assets Subject to Depreciation	<u>\$ 43,958,306</u>	<u>\$ 1,454,640</u>	<u>\$ - 0 -</u>	<u>\$ 45,412,946</u>
Less Accumulated Depreciation				
Buildings and Equipment	\$ 443,289	\$ 43,013	\$	\$ 486,302
Water System	4,151,852	365,453		4,517,305
Wastewater System	6,084,112	557,217		6,641,329
Drainage System	<u>1,614,890</u>	<u>213,157</u>		<u>1,828,047</u>
Total Accumulated Depreciation	<u>\$ 12,294,143</u>	<u>\$ 1,178,840</u>	<u>\$ - 0 -</u>	<u>\$ 13,472,983</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 31,664,163</u>	<u>\$ 275,800</u>	<u>\$ - 0 -</u>	<u>\$ 31,939,963</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 37,188,190</u>	<u>\$ 3,266,329</u>	<u>\$ 1,454,640</u>	<u>\$ 38,999,879</u>

NOTE 7. MAINTENANCE TAX

At an election held on August 13, 1994, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.60 per \$100 of assessed valuation of taxable property within the District. The District levied an ad valorem maintenance tax rate of \$0.25 per \$100 of assessed valuation, which resulted in a tax levy of \$1,645,346 on the adjusted taxable valuation of \$658,138,667 for the 2016 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system and other operating expenses of the District.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

NOTE 8. JOINT FACILITIES

Joint Water Facilities

On September 18, 2006, the District entered into an agreement with Harris County Municipal Utility District No. 287 (District No. 287) to finance and operate joint water supply and distribution facilities (the "Project") to serve the areas within both districts. This agreement was amended on January 14, 2008, February 17, 2014 and December 15, 2014. This agreement is for a term of 40 years. The District has legal title to the Project for the benefit of both districts. Each district is responsible for costs of the construction, operation, maintenance and repair, and extensions of their respective internal water distribution systems.

The District coordinated the construction of all phases of the Project, and each participant paid its share. Under the Agreement, the District constructed and financed Phase 1 of the Project, and District No. 287 paid \$400,000 to the District for Phase 2 of the Project, which included the installation of two additional 20,000-gallon hydropneumatic tanks and rehabilitation of the District's existing ground storage tank. District No. 287 contributed \$1,600,000 toward the construction costs of Phase 3 which included new ground storage tank, booster pump and electrical improvement at water plant no. 2 and a new hydro tank, control building, electrical improvements and site improvements at water plant no. 1.

Each district pays its share of operation and maintenance expenses which are determined by the number of active connections within each district. Any major repairs or capital costs are prorated based on each district's capacity share. The District's cost for water for the current year was \$1,208,641.

Joint Wastewater Treatment Facilities

On September 18, 2006, the District entered into an agreement with District No. 287 to sell capacity in the District's wastewater treatment facilities to serve 350 ESFCs in District No. 287 at a price of \$1,260 per ESFC, or \$441,000. This agreement was amended on October 1, 2009, to allow for District No. 287 to purchase from the District 351 ESFCs at a price of \$1,260 per ESFC, or \$442,260. This agreement was amended on January 1, 2012, to include the new replacement lift station located on the site of the facilities owned by the District. Each district is required to pay its share of operation and maintenance expenses for the wastewater treatment facilities based on the total capacity purchased by District No. 287 with respect to the total capacity owned by the District. The term of this agreement is 40 years from its effective date. The District's wastewater treatment costs totaled \$772,922 for the current year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

NOTE 8. JOINT FACILITIES (Continued)

Joint Wastewater Treatment Facilities (Continued)

As of March 31, 2017, the following balances have been recorded in the joint facilities:

	Harris County Municipal Utility District No. 71	Harris County Municipal Utility District No. 287	Total
Balance Receivable from Participants	\$ 205,726	\$ 62,602	\$ 268,328
Reserve for Joint Operations	\$ 413,660	\$ 52,865	\$ 466,525

NOTE 9. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the West Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the "Act"), as passed by the 77th Texas Legislature, in 2001. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Authority is overseeing that its participants comply with subsidence district pumpage requirements.

The Authority charges a fee, based on the amount of water pumped from a well, to the owners of wells located within the boundaries of the Authority, unless exempted. The current fee is \$2.45 per 1,000 gallons of water pumped from each well. The District recorded expenditures of \$1,221,149 during the current year.

NOTE 10. UNREIMBURSED COSTS

The District has executed financing agreements with Developers within the District. The agreements call for the Developers to fund costs associated with water, wastewater and drainage facilities until such time as the District can sell bonds to reimburse the Developers. Reimbursement to the Developers for these projects is contingent upon approval from the Commission and the future sale of bonds.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

NOTE 11. RISK MANAGEMENT

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

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

Effective November 10, 2008, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the "Subject Tract" for the limited purposes described below. The District will continue to develop, to own, and to operate and maintain a water and wastewater system in the District.

The City imposes a sales and use tax on taxable items at the rate of one percent or the rate specified in future amendments to Chapter 321 of the Tax Code. The City pays the District one-half of all sales and use tax revenues generated within the boundaries of the Subject Tract and delivers to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Comptroller's office.

The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the agreement.

During the year ending March 31, 2017, the District received \$44,971 in sales tax revenues, of which \$11,362 is recorded as a receivable.

NOTE 13. ESCROW REQUIREMENTS

In compliance with the Commission's Order dated September 17, 2015, the District placed \$4,808,181 from the Series 2015A Bond proceeds into an escrow account. On June 29, 2016, the Commission approved the release of \$4,002,392 from escrow for costs associated with Water Plant No. 3 and wastewater treatment plant improvements. On April 7, 2017, subsequent to year-end, the Commission approved the release of \$805,789 from escrow for water, wastewater, and drainage facilities to serve The Lakes at Mason Park Section 5 and Section 6.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2017

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,350,518	\$ 1,642,634	\$ 292,116
Water Service	1,410,000	1,415,659	5,659
Wastewater Service	1,455,000	1,571,932	116,932
Regional Water Authority Fees	945,000	931,649	(13,351)
Penalty and Interest	100,000	110,703	10,703
Tap Connection and Inspection Fees	98,400	20,650	(77,750)
Sales Tax Revenues	26,400	44,971	18,571
Miscellaneous Revenues	32,500	98,325	65,825
TOTAL REVENUES	<u>\$ 5,417,818</u>	<u>\$ 5,836,523</u>	<u>\$ 418,705</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 260,000	\$ 263,049	\$ (3,049)
Contracted Services	1,100,000	1,043,292	56,708
Purchased Services	2,268,238	1,981,563	286,675
Utilities	57,500	43,278	14,222
Repairs and Maintenance/Capital Outlay	1,426,000	786,155	639,845
Other	300,086	217,193	82,893
TOTAL EXPENDITURES	<u>\$ 5,411,824</u>	<u>\$ 4,334,530</u>	<u>\$ 1,077,294</u>
NET CHANGE IN FUND BALANCE	\$ 5,994	\$ 1,501,993	\$ 1,495,999
FUND BALANCE - APRIL 1, 2016	<u>9,482,388</u>	<u>9,482,388</u>	
FUND BALANCE - MARCH 31, 2017	<u>\$ 9,488,382</u>	<u>\$ 10,984,381</u>	<u>\$ 1,495,999</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED MARCH 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Water and Wastewater Service	\$ 2,779,500	\$ 2,387,149	\$ (392,351)
Miscellaneous Revenues	4,850	1,215	(3,635)
TOTAL REVENUES	<u>\$ 2,784,350</u>	<u>\$ 2,388,364</u>	<u>\$ (395,986)</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 27,500	\$ 31,650	\$ (4,150)
Contracted Services	121,500	118,450	3,050
Utilities	340,000	286,060	53,940
Regional Water Authority			
Assessments	1,275,000	1,221,149	53,851
Repairs and Maintenance/Capital Outlay	575,000	417,154	157,846
Other	445,350	313,901	131,449
TOTAL EXPENDITURES	<u>\$ 2,784,350</u>	<u>\$ 2,388,364</u>	<u>\$ 395,986</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ -0-	\$ -0-
FUND BALANCE - APRIL 1, 2016	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE - MARCH 31, 2017	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

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

MARCH 31, 2017

FOR THE YEAR ENDED MARCH 31, 2017

1. SERVICES PROVIDED BY THE DISTRICT DURING THE YEAR:

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved June 23, 2016.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 24.00	5,000	N	\$ 1.00	5,001 to 15,000
				\$ 1.50	15,001 to 30,000
				\$ 2.00	30,001 and up
WASTEWATER:	\$ 31.36		Y		
SURCHARGE:					
Regional Water Authority Fees	Current RWA fee per 1,000 gallons plus 20%				

District employs winter averaging for wastewater usage?

<u>Yes</u>	<u>X</u> No
------------	----------------

Total charges per 10,000 gallons usage: Water: \$29.00 Wastewater: \$31.36 Surcharge: \$29.40

Note: Homeowners Association users are charged \$1.00 per 1,000 gallons of water used.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2017

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>2,011</u>	<u>1,985</u>	x 1.0	<u>1,985</u>
1"	<u>2,117</u>	<u>2,091</u>	x 2.5	<u>5,228</u>
1½"	<u>3</u>	<u>3</u>	x 5.0	<u>15</u>
2"	<u>45</u>	<u>45</u>	x 8.0	<u>360</u>
3"			x 15.0	
4"	<u>4</u>	<u>4</u>	x 25.0	<u>100</u>
6"	<u>1</u>	<u>1</u>	x 50.0	<u>50</u>
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>4,181</u>	<u>4,129</u>		<u>7,738</u>
Total Wastewater Connections	<u>4,128</u>	<u>4,076</u>	x 1.0	<u>4,076</u>

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

Gallons pumped into system:	532,566,000	Water Accountability Ratio: 90% (Gallons billed and sold/Gallons pumped)
Gallons billed to customers:	370,020,000	
Gallons sold:	111,122,000	To: <u>Harris County Municipal Utility</u> <u>District No. 287</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2017

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2017

PROFESSIONAL FEES:	
Auditing	\$ 20,000
Engineering	52,818
Legal	<u>190,231</u>
TOTAL PROFESSIONAL FEES	<u>\$ 263,049</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 1,208,641
Purchased Wastewater Service	<u>772,922</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 1,981,563</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 23,975
Operations and Billing	<u>163,551</u>
TOTAL CONTRACTED SERVICES	<u>\$ 187,526</u>
UTILITIES	<u>\$ 43,278</u>
REPAIRS AND MAINTENANCE	<u>\$ 667,537</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 21,600
Election Costs	19,253
Insurance	17,504
Office Supplies and Postage	66,806
Payroll Taxes	1,884
Travel and Meetings	4,113
Other	<u>15,379</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 146,539</u>
CAPITAL OUTLAY	<u>\$ 118,618</u>
TAP CONNECTIONS	<u>\$ 4,388</u>
SOLID WASTE DISPOSAL	<u>\$ 718,841</u>
SECURITY	<u>\$ 136,925</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 3,890
Permit Fees	9,342
Inspection Fees	2,816
Regulatory Assessment	14,281
TCEQ Penalty	<u>35,937</u>
TOTAL OTHER EXPENDITURES	<u>\$ 66,266</u>
TOTAL EXPENDITURES	<u><u>\$ 4,334,530</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
INVESTMENTS
MARCH 31, 2017

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 2,510,420	\$
Certificate of Deposit	XXXX6137	0.90%	04/29/17	245,934	2,037
Certificate of Deposit	XXXX2059	0.50%	07/17/17	2,008,059	7,069
Certificate of Deposit	XXXX2897	0.60%	09/03/17	245,000	842
Certificate of Deposit	XXXX0414	0.75%	10/18/17	240,964	812
Certificate of Deposit	XXXX5319	0.50%	10/25/17	246,711	531
Certificate of Deposit	XXXX8033	0.50%	02/11/18	245,000	161
TOTAL GENERAL FUND				<u>\$ 5,742,088</u>	<u>\$ 11,452</u>
<u>SPECIAL REVENUE FUND</u>					
TexPool	XXXX0004	Varies	Daily	<u>\$ 51,886</u>	<u>\$ -0-</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 2,011,047	\$
Certificate of Deposit	XXXX4165	0.50%	06/25/17	243,012	929
Certificate of Deposit	XXXX2445	0.60%	06/26/17	246,076	1,125
Certificate of Deposit	XXXX1500	0.50%	09/03/17	245,000	701
Certificate of Deposit	XXXX3557	1.20%	09/13/17	248,055	1,623
Certificate of Deposit	XXXX0396	1.00%	03/22/18	240,000	59
TOTAL DEBT SERVICE FUND				<u>\$ 3,233,190</u>	<u>\$ 4,437</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0003	Varies	Daily	<u>\$ 4,310,881</u>	<u>\$ - 0 -</u>
TOTAL				<u><u>\$ 13,338,045</u></u>	<u><u>\$ 15,889</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2017

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
APRIL 1, 2016	\$ 57,875		\$ 196,485	
Adjustments to Beginning				
Balance	<u>2,475</u>	\$ 60,350	<u>7,899</u>	\$ 204,384
Original 2016 Tax Levy	\$ 1,513,419		\$ 3,874,352	
Adjustment to 2016 Tax Levy	<u>131,927</u>	<u>1,645,346</u>	<u>337,735</u>	<u>4,212,087</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 1,705,696		\$ 4,416,471
TAX COLLECTIONS:				
Prior Years	\$ 47,131		\$ 156,452	
Current Year	<u>1,595,503</u>	<u>1,642,634</u>	<u>4,084,489</u>	<u>4,240,941</u>
TAXES RECEIVABLE -				
MARCH 31, 2017		<u>\$ 63,062</u>		<u>\$ 175,530</u>
TAXES RECEIVABLE BY				
YEAR:				
2016		\$ 49,843		\$ 127,598
2015		5,431		17,473
2014		2,705		9,761
2013		1,390		5,258
2012		504		1,906
2011		545		1,762
2010		492		1,591
2009 and prior		<u>2,152</u>		<u>10,181</u>
TOTAL		<u>\$ 63,062</u>		<u>\$ 175,530</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
PROPERTY VALUATIONS:				
Land	\$ 126,407,394	\$ 122,652,078	\$ 115,945,153	\$ 109,412,428
Improvements	562,268,616	496,037,206	400,174,068	340,608,296
Personal Property	9,160,643	8,594,226	7,924,047	8,632,744
Exemptions	<u>(39,697,986)</u>	<u>(38,078,485)</u>	<u>(37,824,036)</u>	<u>(35,496,261)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 658,138,667</u>	<u>\$ 589,205,025</u>	<u>\$ 486,219,232</u>	<u>\$ 423,157,207</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.64	\$ 0.74	\$ 0.83	\$ 0.87
Maintenance	<u>0.25</u>	<u>0.23</u>	<u>0.23</u>	<u>0.23</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.89</u>	<u>\$ 0.97</u>	<u>\$ 1.06</u>	<u>\$ 1.10</u>
ADJUSTED TAX LEVY*	<u>\$ 5,857,433</u>	<u>\$ 5,715,289</u>	<u>\$ 5,153,924</u>	<u>\$ 4,654,730</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>96.97 %</u>	<u>99.60 %</u>	<u>99.75 %</u>	<u>99.85 %</u>

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

Maintenance Tax – Maximum tax rate of \$0.60 per \$100 of assessed valuation approved by voters on August 13, 1994.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2017

<u>S E R I E S - 2 0 0 7</u>			
<u>Due During Fiscal Years Ending March 31</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1/ March 1</u>	<u>Total</u>
2018	\$ 325,000	\$ 6,500	\$ 331,500
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
	<u>\$ 325,000</u>	<u>\$ 6,500</u>	<u>\$ 331,500</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2017

S E R I E S - 2 0 0 9			
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 150,000	\$ 20,625	\$ 170,625
2019	150,000	11,813	161,813
2020	150,000	3,750	153,750
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
	<u>\$ 450,000</u>	<u>\$ 36,188</u>	<u>\$ 486,188</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2017

S E R I E S - 2 0 1 2			
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 75,000	\$ 146,637	\$ 221,637
2019	75,000	144,387	219,387
2020	75,000	142,137	217,137
2021	75,000	139,794	214,794
2022	75,000	137,076	212,076
2023	75,000	134,076	209,076
2024	75,000	131,076	206,076
2025	75,000	128,076	203,076
2026	100,000	124,576	224,576
2027	150,000	119,576	269,576
2028	150,000	113,576	263,576
2029	150,000	107,576	257,576
2030	325,000	98,076	423,076
2031	550,000	80,232	630,232
2032	550,000	57,544	607,544
2033	550,000	34,650	584,650
2034	550,000	11,550	561,550
2035			
2036			
2037			
	\$ 3,675,000	\$ 1,850,615	\$ 5,525,615

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2017

<u>SERIES - 2012 A REFUNDING</u>			
<u>Due During Fiscal Years Ending March 31</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1/ March 1</u>	<u>Total</u>
2018	\$ 540,000	\$ 132,030	\$ 672,030
2019	270,000	115,824	385,824
2020	275,000	107,724	382,724
2021	290,000	96,724	386,724
2022	300,000	88,894	388,894
2023	310,000	79,894	389,894
2024	335,000	70,594	405,594
2025	340,000	60,125	400,125
2026	350,000	48,650	398,650
2027	370,000	36,400	406,400
2028	395,000	21,600	416,600
2029	145,000	5,800	150,800
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
	<u>\$ 3,920,000</u>	<u>\$ 864,259</u>	<u>\$ 4,784,259</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2017

<u>REFUNDING SERIES-2013</u>			
<u>Due During Fiscal Years Ending March 31</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1/ March 1</u>	<u>Total</u>
2018	\$ 225,000	\$ 103,138	\$ 328,138
2019	235,000	98,638	333,638
2020	235,000	93,938	328,938
2021	245,000	89,238	334,238
2022	255,000	80,662	335,662
2023	265,000	71,738	336,738
2024	280,000	62,462	342,462
2025	290,000	52,662	342,662
2026	295,000	42,512	337,512
2027	305,000	32,188	337,188
2028	320,000	21,512	341,512
2029	330,000	10,312	340,312
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
	\$ 3,280,000	\$ 759,000	\$ 4,039,000

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2017

S E R I E S - 2 0 1 4			
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 50,000	\$ 215,875	\$ 265,875
2019	50,000	212,876	262,876
2020	50,000	209,875	259,875
2021	50,000	207,000	257,000
2022	50,000	204,375	254,375
2023	50,000	202,125	252,125
2024	50,000	200,125	250,125
2025	50,000	198,125	248,125
2026	50,000	196,125	246,125
2027	50,000	194,125	244,125
2028	50,000	192,125	242,125
2029	50,000	190,125	240,125
2030	50,000	188,125	238,125
2031	525,000	176,625	701,625
2032	525,000	155,625	680,625
2033	525,000	134,625	659,625
2034	525,000	113,625	638,625
2035	800,000	86,625	886,625
2036	825,000	52,593	877,593
2037	825,000	17,531	842,531
	<u>\$ 5,200,000</u>	<u>\$ 3,348,250</u>	<u>\$ 8,548,250</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2017

<u>REFUNDING SERIES - 2014 A</u>			
<u>Due During Fiscal Years Ending March 31</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1/ March 1</u>	<u>Total</u>
2018	\$ 530,000	\$ 94,000	\$ 624,000
2019	835,000	83,400	918,400
2020	850,000	66,700	916,700
2021	890,000	49,700	939,700
2022	915,000	27,450	942,450
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
	<u>\$ 4,020,000</u>	<u>\$ 321,250</u>	<u>\$ 4,341,250</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2017

<u>REFUNDING SERIES - 2015</u>			
<u>Due During Fiscal Years Ending March 31</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1/ March 1</u>	<u>Total</u>
2018	\$ 185,000	\$ 189,206	\$ 374,206
2019	185,000	185,506	370,506
2020	185,000	179,956	364,956
2021	185,000	174,406	359,406
2022	185,000	168,856	353,856
2023	1,175,000	163,306	1,338,306
2024	1,215,000	128,056	1,343,056
2025	655,000	91,606	746,606
2026	665,000	71,956	736,956
2027	390,000	52,006	442,006
2028	385,000	40,306	425,306
2029	550,000	28,276	578,276
2030	320,000	10,400	330,400
2031			
2032			
2033			
2034			
2035			
2036			
2037			
	<u>\$ 6,280,000</u>	<u>\$ 1,483,842</u>	<u>\$ 7,763,842</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2017

S E R I E S - 2 0 1 5 A			
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 375,000	\$ 204,862	\$ 579,862
2019	375,000	197,363	572,363
2020	375,000	189,863	564,863
2021	375,000	182,362	557,362
2022	375,000	174,863	549,863
2023	375,000	167,362	542,362
2024	375,000	158,926	533,926
2025	375,000	149,550	524,550
2026	375,000	139,706	514,706
2027	375,000	129,394	504,394
2028	375,000	119,082	494,082
2029	375,000	108,300	483,300
2030	375,000	97,050	472,050
2031	375,000	85,801	460,801
2032	400,000	74,175	474,175
2033	400,000	61,925	461,925
2034	400,000	49,425	449,425
2035	425,000	36,269	461,269
2036	425,000	22,190	447,190
2037	445,000	7,509	452,509
	<u>\$ 7,745,000</u>	<u>\$ 2,355,977</u>	<u>\$ 10,100,977</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2017

<u>REFUNDING SERIES - 2016</u>			
<u>Due During Fiscal Years Ending March 31</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1/ March 1</u>	<u>Total</u>
2018	\$ 110,000	\$ 494,237	\$ 604,237
2019	440,000	485,987	925,987
2020	440,000	472,788	912,788
2021	590,000	457,337	1,047,337
2022	585,000	439,712	1,024,712
2023	585,000	422,163	1,007,163
2024	605,000	407,337	1,012,337
2025	595,000	395,338	990,338
2026	1,135,000	376,619	1,511,619
2027	1,110,000	349,975	1,459,975
2028	1,390,000	308,300	1,698,300
2029	1,380,000	252,900	1,632,900
2030	1,370,000	197,900	1,567,900
2031	1,355,000	150,175	1,505,175
2032	1,395,000	108,925	1,503,925
2033	1,365,000	60,700	1,425,700
2034	835,000	16,700	851,700
2035			
2036			
2037			
	<u>\$ 15,285,000</u>	<u>\$ 5,397,093</u>	<u>\$ 20,682,093</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2017

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2018	\$ 2,565,000	\$ 1,607,110	\$ 4,172,110
2019	2,615,000	1,535,794	4,150,794
2020	2,635,000	1,466,731	4,101,731
2021	2,700,000	1,396,561	4,096,561
2022	2,740,000	1,321,888	4,061,888
2023	2,835,000	1,240,664	4,075,664
2024	2,935,000	1,158,576	4,093,576
2025	2,380,000	1,075,482	3,455,482
2026	2,970,000	1,000,144	3,970,144
2027	2,750,000	913,664	3,663,664
2028	3,065,000	816,501	3,881,501
2029	2,980,000	703,289	3,683,289
2030	2,440,000	591,551	3,031,551
2031	2,805,000	492,833	3,297,833
2032	2,870,000	396,269	3,266,269
2033	2,840,000	291,900	3,131,900
2034	2,310,000	191,300	2,501,300
2035	1,225,000	122,894	1,347,894
2036	1,250,000	74,783	1,324,783
2037	1,270,000	25,040	1,295,040
	<u>\$ 50,180,000</u>	<u>\$ 16,422,974</u>	<u>\$ 66,602,974</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2017

Description	Original Bonds Issued	Bonds Outstanding April 1, 2016
Harris County Municipal Utility District No. 71 Unlimited Tax Refunding Bonds - Series 2005A	\$ 2,865,000	\$ 255,000
Harris County Municipal Utility District No. 71 Unlimited Tax Bonds - Series 2007	9,680,000	650,000
Harris County Municipal Utility District No. 71 Unlimited Tax Bonds - Series 2009	9,700,000	600,000
Harris County Municipal Utility District No. 71 Unlimited Tax Bonds - Series 2012	4,250,000	3,750,000
Harris County Municipal Utility District No. 71 Unlimited Tax Refunding Bonds - Series 2012A	5,465,000	4,440,000
Harris County Municipal Utility District No. 71 Unlimited Tax Refunding Bonds - Series 2013	4,125,000	3,495,000
Harris County Municipal Utility District No. 71 Unlimited Tax Bonds - Series 2014	5,300,000	5,250,000
Harris County Municipal Utility District No. 71 Unlimited Tax Refunding Bonds - Series 2014A	4,640,000	4,545,000
Harris County Municipal Utility District No. 71 Unlimited Tax Refunding Bonds - Series 2015	6,865,000	6,470,000
Harris County Municipal Utility District No. 71 Unlimited Tax Bonds - Series 2015A	8,120,000	8,120,000
Harris County Municipal Utility District No. 71 Unlimited Tax Refunding Bonds - Series 2016	<u>15,330,000</u>	<u>15,330,000</u>
TOTAL	<u><u>\$ 76,340,000</u></u>	<u><u>\$ 52,905,000</u></u>

See accompanying independent auditor's report.

Current Year Transactions					
Bonds Sold	Retirements		Bonds Outstanding		
	Principal	Interest	March 31, 2017		
\$	\$ 255,000	\$ 5,227	\$ - 0 -		Wells Fargo Bank of Texas, N.A. Dallas, TX
	325,000	19,500	325,000		Wells Fargo Bank of Texas, N.A. Dallas, TX
	150,000	29,625	450,000		Wells Fargo Bank of Texas, N.A. Dallas, TX
	75,000	148,887	3,675,000		Wells Fargo Bank of Texas, N.A. Dallas, TX
	520,000	142,424	3,920,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	215,000	107,438	3,280,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	50,000	218,875	5,200,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	525,000	104,500	4,020,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	190,000	193,006	6,280,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	375,000	212,363	7,745,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	45,000	467,557	15,285,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 2,725,000</u>	<u>\$ 1,649,402</u>	<u>\$ 50,180,000</u>		

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2017

Bond Authority:	<u>Tax Bonds</u>	<u>Park Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 80,020,000	\$ 6,630,000	\$ 27,300,000
Amount Issued	<u>69,695,770</u>	<u></u>	<u>1,025,000</u>
Remaining to be Issued	<u>\$ 10,324,230</u>	<u>\$ 6,630,000</u>	<u>\$ 26,275,000</u>
Debt Service Fund cash and investment balances as of March 31, 2017:			<u>\$ 5,766,245</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 3,330,149</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amount		
	2017	2016	2015
REVENUES			
Property Taxes	\$ 1,642,634	\$ 1,347,328	\$ 1,109,190
Water Service	1,415,659	1,470,973	1,400,177
Wastewater Service	1,571,932	1,528,810	1,467,997
Regional Water Authority Fees	931,649	869,981	788,496
Penalty and Interest	110,703	122,848	105,611
Tap Connection and Inspection Fees	20,650	282,657	523,143
Sales Tax Revenues	44,971	27,021	27,039
Miscellaneous Revenues	98,325	64,568	59,927
TOTAL REVENUES	<u>\$ 5,836,523</u>	<u>\$ 5,714,186</u>	<u>\$ 5,481,580</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 263,049	\$ 282,649	\$ 301,919
Contracted Services	1,043,292	1,014,041	975,991
Purchased Water Services	1,208,641	1,285,839	1,007,677
Purchased Wastewater Services	772,922	962,696	649,450
Utilities	43,278	52,571	49,664
Repairs and Maintenance	667,537	512,795	709,043
Other	217,193	272,129	273,483
Capital Outlay	118,618	104,372	139,784
TOTAL EXPENDITURES	<u>\$ 4,334,530</u>	<u>\$ 4,487,092</u>	<u>\$ 4,107,011</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,501,993</u>	<u>\$ 1,227,094</u>	<u>\$ 1,374,569</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	\$	\$ 27,288	\$ 9,171
Contributed by Other Governmental Unit			
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ 27,288</u>	<u>\$ 9,171</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,501,993</u>	<u>\$ 1,254,382</u>	<u>\$ 1,383,740</u>
BEGINNING FUND BALANCE	<u>9,482,388</u>	<u>8,228,006</u>	<u>6,844,266</u>
ENDING FUND BALANCE	<u>\$ 10,984,381</u>	<u>\$ 9,482,388</u>	<u>\$ 8,228,006</u>

* Eighteen-month period

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2014*	2012	2017	2016	2015	2014*	2012
\$ 1,846,323	\$ 991,078	28.0 %	23.7 %	20.3 %	23.4 %	21.3 %
1,934,153	1,184,258	24.3	25.7	25.5	24.7	25.4
2,046,333	1,279,261	26.9	26.8	26.8	26.1	27.4
1,080,401	656,145	16.0	15.2	14.4	13.8	14.0
119,636	76,491	1.9	2.1	1.9	1.5	1.6
679,670	319,788	0.4	4.9	9.5	8.7	6.8
16,456		0.8	0.5	0.5	0.2	
122,912	164,354	1.7	1.1	1.1	1.6	3.5
<u>\$ 7,845,884</u>	<u>\$ 4,671,375</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 349,940	\$ 188,874	4.5 %	4.9 %	5.5 %	4.5 %	4.0 %
1,329,323	791,078	17.9	17.7	17.8	16.9	16.9
1,538,761	1,051,364	20.7	22.5	18.4	19.6	22.5
1,014,460	496,407	13.2	16.8	11.8	12.9	10.6
75,128	49,097	0.7	0.9	0.9	1.0	1.1
973,067	409,382	11.4	9.0	12.9	12.4	8.8
448,644	221,905	3.7	4.8	5.0	5.7	4.8
2,493,296	421,254	2.0	1.8	2.6	31.8	9.0
<u>\$ 8,222,619</u>	<u>\$ 3,629,361</u>	<u>74.1 %</u>	<u>78.4 %</u>	<u>74.9 %</u>	<u>104.8 %</u>	<u>77.7 %</u>
<u>\$ (376,735)</u>	<u>\$ 1,042,014</u>	<u>25.9 %</u>	<u>21.6 %</u>	<u>25.1 %</u>	<u>(4.8) %</u>	<u>22.3 %</u>
\$	\$ 50,445					
	<u>309,386</u>					
<u>\$ - 0 -</u>	<u>\$ 359,831</u>					
\$ (376,735)	\$ 1,401,845					
<u>7,221,001</u>	<u>5,819,156</u>					
<u>\$ 6,844,266</u>	<u>\$ 7,221,001</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amount		
	2017	2016	2015
REVENUES			
Property Taxes	\$ 4,240,941	\$ 4,347,307	\$ 4,005,894
Penalty and Interest	65,792	47,666	28,319
Miscellaneous Revenues	20,774	19,348	16,864
TOTAL REVENUES	<u>\$ 4,327,507</u>	<u>\$ 4,414,321</u>	<u>\$ 4,051,077</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 143,879	\$ 144,658	\$ 123,917
Debt Service Principal	2,725,000	2,010,000	1,795,000
Debt Service Interest and Fees	1,649,402	1,799,301	1,704,631
Payment to Refunding Escrow Agent			200,000
Bond Issuance Costs		522,051	244,016
TOTAL EXPENDITURES	<u>\$ 4,518,281</u>	<u>\$ 4,476,010</u>	<u>\$ 4,067,564</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (190,774)</u>	<u>\$ (61,689)</u>	<u>\$ (16,487)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	\$	\$ 15,330,000	\$ 6,865,000
Transfer to Refunding Bond Escrow Agent		(15,325,054)	(6,628,771)
Bond Discount			
Bond Premium		521,165	14,489
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ 526,111</u>	<u>\$ 250,718</u>
NET CHANGE IN FUND BALANCE	\$ (190,774)	\$ 464,422	\$ 234,231
BEGINNING FUND BALANCE	<u>5,956,905</u>	<u>5,492,483</u>	<u>5,258,252</u>
ENDING FUND BALANCE	<u>\$ 5,766,131</u>	<u>\$ 5,956,905</u>	<u>\$ 5,492,483</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>4,129</u>	<u>4,124</u>	<u>4,031</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>4,076</u>	<u>4,071</u>	<u>3,990</u>

* Eighteen-month period

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2014*	2012	2017	2016	2015	2014*	2012
\$ 6,983,968	\$ 3,202,703	98.0 %	98.5 %	98.9 %	98.7 %	98.2 %
60,394	31,884	1.5	1.1	0.7	0.9	1.0
29,130	26,866	0.5	0.4	0.4	0.4	0.8
<u>\$ 7,073,492</u>	<u>\$ 3,261,453</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 181,686	\$ 104,347	3.3 %	3.3 %	3.1 %	2.6 %	3.2 %
2,985,000	1,500,000	63.0	45.5	44.3	42.2	46.0
2,660,243	1,885,537	38.1	40.8	42.1	37.6	57.8
100,000				4.9	1.4	
399,837	245,977		11.8	6.0	5.7	7.5
<u>\$ 6,326,766</u>	<u>\$ 3,735,861</u>	<u>104.4 %</u>	<u>101.4 %</u>	<u>100.4 %</u>	<u>89.5 %</u>	<u>114.5 %</u>
\$ 746,726	\$ (474,408)	<u>(4.4) %</u>	<u>(1.4) %</u>	<u>(0.4) %</u>	<u>10.5 %</u>	<u>(14.5) %</u>
\$ 8,988,375	\$ 5,630,013					
(8,426,894)	(5,261,216)					
(3,414)	(45,748)					
64,854	95,588					
<u>\$ 622,921</u>	<u>\$ 418,637</u>					
\$ 1,369,647	\$ (55,771)					
3,888,605	3,944,376					
<u>\$ 5,258,252</u>	<u>\$ 3,888,605</u>					
<u>3,872</u>	<u>3,526</u>					
<u>3,832</u>	<u>3,486</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

MARCH 31, 2017

District Mailing Address - Harris County Municipal Utility District No. 71
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6406

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended March 31, 2017	Expense reimbursements for the year ended March 31, 2017	Title
Katrina Thornhill	05/16 - 05/20 (Elected)	\$ 3,900	\$ 334	President
Pam Kerr	05/16 - 05/20 (Elected)	\$ 4,200	\$ -0-	Vice President
Phillip Smith, Jr.	05/14 - 05/18 (Elected)	\$ 4,050	\$ -0-	Assistant Vice President
Mary DuBois	05/14 - 05/18 (Elected)	\$ 4,350	\$ 1,624	Secretary
Jennifer Elms	05/16 - 05/20 (Elected)	\$ 4,950	\$ 800	Assistant Secretary

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 developer or with any of the District's consultants except for Director DuBois, who is employed by Acclaim Energy Advisors which provides energy advisory services to the District, and Director Smith, who is an employer of the District's website vendor. Directors DuBois and Smith have filed conflict of interest disclosure statements with the District.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):
May 16, 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) on July 18, 2001. Fees of Office are the amounts actually paid to a Director during the District's current year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2017

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended March 31, 2017 District</u>	<u>Fees for the year ended March 31, 2017 Joint Facilities</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	07/27/03	\$ 233,518	\$ 9,381	General Counsel
McCall Gibson Swedlund Barfoot PLLC	09/07/07	\$ 20,000 \$ 1,500	\$ 3,000 \$ -0-	Auditor Bond Related
Myrtle Cruz, Inc.	04/01/89	\$ 26,426	\$ 7,865	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/11/91	\$ 20,902	\$ -0-	Delinquent Tax Attorney
Brown & Gay Engineers, Inc.	08/01/83	\$ 237,783	\$ 35,783	Engineer
FirstSouthwest, a Division of Hilltop Securities Inc.	09/14/87	\$ -0-	\$ -0-	Financial Advisor
Mary Jarmon	02/13/06	\$ -0-	\$ -0-	Investment Officer
Regional Water Corporation	11/14/97	\$ 408,075	\$ 698,232	Operator
Esther Flores	05/08/95	\$ 69,876	\$ -0-	Tax Assessor/ Collector
Mike Stone Associates	04/01/13	\$ 285,175	\$ -0-	Park Maintenance
Harris County	Annually	\$ 136,925	\$ -0-	Security

See accompanying independent auditor's report.