

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2017

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2017

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McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

9600 Great Hills Trail
Suite 150W
Austin, Texas 78759
(512) 610-2209
www.mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Clear Brook City Municipal Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Clear Brook City Municipal Utility District (the "District"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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.

Member of
American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants

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 December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General 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

April 18, 2018

**CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Management's discussion and analysis of Clear Brook City Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2017.

USING THIS 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 financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,141,969 as of December 31, 2017. This compares with assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources by \$1,138,165 as of December 31, 2016.

A portion of the District's net position reflects its net investment in capital assets (e.g. land, buildings and equipment, as well as, water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

FUND FINANCIAL STATEMENTS (Continued)

The following is a comparative analysis of government-wide changes in net position:

	Summary of Changes in the Statement of Net Position		
	2017	2016	Change Positive (Negative)
Current and Other Assets	\$ 36,714,480	\$ 26,432,056	\$ 10,282,424
Capital Assets (Net of Accumulated Depreciation)	48,629,545	48,146,626	482,919
Total Assets	\$ 85,344,025	\$ 74,578,682	\$ 10,765,343
Deferred Outflows of Resources	\$ 516,354	\$ 541,805	\$ (25,451)
Due to Developer	\$	\$ 4,412,933	\$ 4,412,933
Bonds Payable	69,701,785	59,027,722	(10,674,063)
Other Liabilities	5,625,504	4,743,724	(881,780)
Total Liabilities	\$ 75,327,289	\$ 68,184,379	\$ (7,142,910)
Deferred Inflows of Resources	\$ 6,391,121	\$ 5,797,943	\$ (593,178)
Net Position:			
Net Investment in Capital Assets	\$ (10,768,672)	\$ (11,291,826)	\$ 523,154
Restricted	1,924,092	1,548,861	375,231
Unrestricted	12,986,549	10,881,130	2,105,419
Total Net Position	\$ 4,141,969	\$ 1,138,165	\$ 3,003,804

The following table provides a summary of the District's operations for the years ended December 31, 2017 and December 31, 2016. The District increased its net position by \$3,003,804.

	Summary of Changes in the Statement of Activities		
	2017	2016	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 5,827,180	\$ 5,313,730	\$ 513,450
Charges for Services	6,346,041	5,983,866	362,175
Other Revenues	2,659,483	406,347	2,253,136
Total Revenues	\$ 14,832,704	\$ 11,703,943	\$ 3,128,761
Expenses for Services	11,828,900	9,892,942	(1,935,958)
Change in Net Position	\$ 3,003,804	\$ 1,811,001	\$ 1,192,803
Net Position, Beginning of Year	1,138,165	(672,836)	1,811,001
Net Position, End of Year	\$ 4,141,969	\$ 1,138,165	\$ 3,003,804

**CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of ended December 31, 2017, were \$27,738,415 an increase of \$8,722,854 from the prior year.

The General Fund fund balance increased by \$2,107,357, primarily due to service revenues and litigation settlement proceeds exceeding current year operating costs.

The Debt Service Fund fund balance increased by \$293,681, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by \$6,321,816, due to proceeds received from the sale of bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenue was \$1,352,189 more than budgeted revenue, primarily due to higher than anticipated tap connection and inspection fees and litigation settlement revenues. Actual expenditures were \$122,047 more than budgeted, primarily due to higher than anticipated repairs and maintenance due to hurricane Harvey storm debris clean up.

CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital and intangible assets as of December 31, 2017, total \$48,629,545 (net of accumulated depreciation and amortization). These capital assets include land, buildings and equipment as well as the water, wastewater and drainage systems.

Capital asset events during the current fiscal year included the following:

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2017	2016	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,373,562	\$ 2,373,562	\$
Construction in Progress	3,186,507	1,279,775	1,906,732
Capital Assets, Net of Accumulated Depreciation:			
Vehicles, Buildings and Improvements	3,829,107	4,013,951	(184,844)
Water System	11,556,699	11,960,551	(403,852)
Wastewater System	14,131,406	14,545,169	(413,763)
Drainage System	12,073,458	12,384,266	(310,808)
Total Net Capital Assets	<u>\$ 47,150,739</u>	<u>\$ 46,557,274</u>	<u>\$ 593,465</u>

**CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

CAPITAL ASSETS AND INTANGIBLE ASSETS (Continued)

Intangible Assets At Year-End, Net of Accumulated Amortization			Change Positive (Negative)
	2017	2016	
Water Purification Plant	\$ 884,925	\$ 946,089	\$ (61,164)
Wastewater Treatment Plant	593,881	643,263	(49,382)
Total Net Intangible Assets	<u>\$ 1,478,806</u>	<u>\$ 1,589,352</u>	<u>\$ (110,546)</u>

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$72,845,000. The changes in the debt position of the District during the fiscal year ended December 31, 2017, is summarized as follows:

Bond Debt Payable, January 1, 2017	\$ 61,795,000
Add: Bond Sale - Series 2017	13,750,000
Less: Bond Principal Paid	<u>2,700,000</u>
Bond Debt Payable, December 31, 2017	<u>\$ 72,845,000</u>

The Series 2010 bonds, 2010-A refunding and 2012 refunding bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal. The Series 2013 refunding bonds, 2015 bonds, 2016 and 2016A refunding bonds and 2017 Bonds carry an insured rating of "AA" by virtue of bond insurance issued by BAM. The Series 2010 and 2017 bonds, 2010-A refunding bonds, 2012 refunding bonds, 2013 refunding bonds, Series 2015 bonds, 2016 and 2016A refunding bonds and Series 2017 carry an underlying rating of "BBB+". The Series 2014 refunding bonds are not rated. The above reflects all rating changes, if any, through December 31, 2017.

HURRICANE HARVEY

Hurricane Harvey struck the Houston area on August 25, 2017, resulting in historic levels of rainfall. The District was affected by the storm, but cannot predict what impact, if any, this will have yet on assessed values of properties within the District. Additional information on this event can be found in Note 17 of this report.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for anyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Clear Brook City Municipal Utility District, c/o Norton Rose Fulbright US LLP, 1301 McKinney Street, Suite 5100, Houston, TX 77010.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 7,465,396	\$ 5,813,304
Investments	5,807,242	1,078,299
Receivables:		
Property Taxes	289,776	1,867,835
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$7,605)	554,557	
Other	41,080	
Due from Other Funds	1,230,168	
Prepaid Costs	6,096	
Land		
Construction in Progress		
Unamortized Capacity Interest Costs		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 15,394,315</u>	<u>\$ 8,759,438</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 15,394,315</u>	<u>\$ 8,759,438</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 4,413,346	\$ 17,692,046	\$	\$ 17,692,046
9,041,647	15,927,188		15,927,188
	2,157,611		2,157,611
		58,179	58,179
	554,557		554,557
	41,080		41,080
	1,230,168	(1,230,168)	
	6,096	277,723	283,819
		2,373,562	2,373,562
		3,186,507	3,186,507
		1,478,806	1,478,806
		41,590,670	41,590,670
<u>\$ 13,454,993</u>	<u>\$ 37,608,746</u>	<u>\$ 47,735,279</u>	<u>\$ 85,344,025</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 516,354</u>	<u>\$ 516,354</u>
<u>\$ 13,454,993</u>	<u>\$ 37,608,746</u>	<u>\$ 48,251,633</u>	<u>\$ 85,860,379</u>

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

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2017

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 1,340,529	\$
Accrued Interest Payable		
Due to Other Funds		557,297
Security Deposits	486,451	
Accrued Interest at Time of Sale		16,028
Long Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 1,826,980</u>	<u>\$ 573,325</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 872,712</u>	<u>\$ 5,624,535</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 6,096	\$
Restricted for Authorized Construction		
Restricted for Debt Service		2,561,578
Unassigned	<u>12,688,527</u>	
TOTAL FUND BALANCES	<u>\$ 12,694,623</u>	<u>\$ 2,561,578</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 15,394,315</u>	<u>\$ 8,759,438</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.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 299,908	\$ 1,640,437	\$	\$ 1,640,437
		803,616	803,616
672,871	1,230,168	(1,230,168)	
	486,451		486,451
	16,028	(16,028)	
		2,695,000	2,695,000
		69,701,785	69,701,785
<u>\$ 972,779</u>	<u>\$ 3,373,084</u>	<u>\$ 71,954,205</u>	<u>\$ 75,327,289</u>
<u>\$ -0-</u>	<u>\$ 6,497,247</u>	<u>\$ (106,126)</u>	<u>\$ 6,391,121</u>
\$	\$ 6,096	\$ (6,096)	\$
12,482,214	12,482,214	(12,482,214)	
	2,561,578	(2,561,578)	
	12,688,527	(12,688,527)	
<u>\$ 12,482,214</u>	<u>\$ 27,738,415</u>	<u>\$ (27,738,415)</u>	<u>\$ - 0 -</u>
<u>\$ 13,454,993</u>	<u>\$ 37,608,746</u>		
		\$ (10,768,672)	\$ (10,768,672)
		1,924,092	1,924,092
		12,986,549	12,986,549
		<u>\$ 4,141,969</u>	<u>\$ 4,141,969</u>

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

**CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017**

Total Fund Balances - Governmental Funds	\$ 27,738,415
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.	516,354
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Prepaid bond insurance is amortized over the repayment period of the related bonds in governmental activities.	277,723
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Land, construction in progress, capital investments and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	48,629,545
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Deferred inflows of resources related to property 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.	164,305
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (787,588)	
Bonds Payable	(72,396,785)	(73,184,373)

Total Net Position - Governmental Activities	\$ 4,141,969
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The accompanying notes to the financial
statements are an integral part of this report.

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CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 780,840	\$ 5,032,079
Water Service	2,237,971	
Wastewater Service	3,320,059	
Tap Connection and Inspection Fees	451,117	
Sales Tax Revenue	153,794	
Litigation Settlement Revenues	2,100,000	
Penalty and Interest	105,405	61,057
Investment Revenues	91,186	25,383
Miscellaneous Revenues	398,207	1,984
TOTAL REVENUES	<u>\$ 9,638,579</u>	<u>\$ 5,120,503</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Personnel	\$ 613,399	\$
Professional Fees	160,393	17,295
Contracted Services	2,299,977	125,081
Purchased Water Service	517,034	
Purchased Wastewater Service	1,244,945	
Utilities	111,923	
Repairs and Maintenance	1,280,747	
Depreciation and Amortization		
Other	687,917	11,922
Capital Outlay	614,887	
Debt Service:		
Bond Principal		2,700,000
Bond Interest		1,972,524
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	<u>\$ 7,531,222</u>	<u>\$ 4,826,822</u>
EXCESS (DEFICIENCY) OF REVENUES OVER		
EXPENDITURES/EXPENSES	<u>\$ 2,107,357</u>	<u>\$ 293,681</u>
OTHER FINANCING SOURCES (USES)		
Long-Term Debt Issued	\$	\$
Bond Discount		
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -0-</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCES	\$ 2,107,357	\$ 293,681
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
JANUARY 1, 2017	<u>10,587,266</u>	<u>2,267,897</u>
FUND BALANCES/NET POSITION -		
DECEMBER 31, 2017	<u>\$ 12,694,623</u>	<u>\$ 2,561,578</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 5,812,919	\$ 14,261	\$ 5,827,180
	2,237,971		2,237,971
	3,320,059		3,320,059
	451,117		451,117
	153,794		153,794
	2,100,000		2,100,000
	166,462	16,638	183,100
42,723	159,292		159,292
	400,191		400,191
<u>42,723</u>	<u>14,801,805</u>	<u>30,899</u>	<u>14,832,704</u>
\$	\$ 613,399	\$	\$ 613,399
	177,688		177,688
	2,425,058		2,425,058
	517,034		517,034
	1,244,945		1,244,945
	111,923		111,923
	1,280,747	463,550	1,744,297
		1,658,063	1,658,063
	699,839		699,839
6,402,578	7,017,465	(7,017,465)	
	2,700,000	(2,700,000)	
	1,972,524	7,833	1,980,357
656,297	656,297		656,297
<u>7,058,875</u>	<u>19,416,919</u>	<u>(7,588,019)</u>	<u>11,828,900</u>
<u>(7,016,152)</u>	<u>(4,615,114)</u>	<u>7,618,918</u>	<u>3,003,804</u>
\$ 13,750,000	\$ 13,750,000	\$ (13,750,000)	\$
(412,032)	(412,032)	412,032	
<u>13,337,968</u>	<u>13,337,968</u>	<u>(13,337,968)</u>	<u>-0-</u>
\$ 6,321,816	\$ 8,722,854	\$ (8,722,854)	\$
		3,003,804	3,003,804
<u>6,160,398</u>	<u>19,015,561</u>	<u>(17,877,396)</u>	<u>1,138,165</u>
<u>12,482,214</u>	<u>27,738,415</u>	<u>(23,596,446)</u>	<u>4,141,969</u>

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

**CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Net Change in Fund Balances - Governmental Funds \$ 8,722,854

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. 14,261

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. 16,638

Governmental funds do not account for depreciation and amortization. However, in the Statement of Net Position, capital assets are depreciated and depreciation and amortization expense is recorded in the Statement of Activities. (1,658,063)

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. 6,553,915

Governmental funds report bond discounts as other financing uses in the year paid. However, in the Statement of Net Position, bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities. 412,032

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. 2,700,000

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. (7,833)

Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position. (13,750,000)

Change in Net Position - Governmental Activities \$ 3,003,804

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

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 13 (the "District") was created effective September 1, 1972 by an order of the Texas Water Rights Commission (later reorganized as the Texas Water Commission), presently known as the Texas Commission on Environmental Quality (the "Commission"), in accordance with Texas Water Code Chapter 54. 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, and to construct 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. The Board of Directors held its first meeting on March 28, 1972, and the first bonds were sold on March 14, 1974. On February 7, 1991, the District received approval to change its name from Harris County Municipal Utility District No. 13 to Clear Brook City Municipal Utility 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.

Financial Statement Presentation

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

GASB Codification set 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:

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has three 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, costs and general expenditures.

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

Capital Projects Fund - To account for financial resources 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 collectible 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 collectible within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include 2016 taxes collected during the period October 1, 2016 to December 31, 2017. In addition, taxes collected from January 1, 2017 to December 31, 2017 for the 2015 and prior tax levies are included in revenue. The 2017 tax levy has been fully deferred to fund the 2018 calendar year 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.

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

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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 \$20,000 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

Budgeting

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

Pensions

The District has nine full-time employees. Payments are made into the social security system for them. The District also has made available an IRC Section 457 plan for its employees to make contributions. The District also makes contribution into a simplified employee pension plan for its employees. See Note 13 for additional disclosure. The Internal Revenue Service has determined that directors are considered "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.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

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

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3. LONG-TERM DEBT

	Fire Protection Series 2010	Refunding Series 2010A
Amount Outstanding - December 31, 2017	\$ 1,700,000	\$ 3,850,000
Interest Rates	3.125%-5.00%	4.00%
Maturity Dates - Serially Beginning/Ending	February 1, 2018/2036	February 1, 2018/2022
Interest Payment Dates	February 1, August 1	February 1, August 1
Callable Dates	February 1, 2017*	February 1, 2020*
	Refunding Series 2012	Refunding Series 2013
Amount Outstanding - December 31, 2017	\$ 8,845,000	\$ 9,305,000
Interest Rates	4.00%	2.00%-3.50%
Maturity Dates - Serially Beginning/Ending	February 1, 2018/2030	February 1, 2018/2034
Interest Payment Dates	February 1, August 1	February 1, August 1
Callable Dates	February 1, 2019*	February 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 2010 term bonds maturing February 1, 2020, February 1, 2022, February 1, 2024, February 1, 2026, February 1, 2028, February 1, 2030 and February 1, 2036 are subject to mandatory redemption beginning February 1, 2019, February 1, 2021, February 1, 2023, February 1, 2025, February 1, 2027, February 1, 2029 and February 1, 2031 respectively.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3. LONG-TERM DEBT (Continued)

	Refunding Series 2014	Series 2015
Amount Outstanding - December 31, 2017	\$7,630,000	\$ 7,315,000
Interest Rates	2.84%	2.00%-4.50%
Maturity Dates - Serially Beginning/Ending	February 1, 2018/2028	February 1, 2018/2042
Interest Payment Dates	February 1, August 1	February 1, August 1
Callable Dates	February 1, 2024*	February 1, 2021*
	Refunding Series 2016	Refunding Series 2016A
Amount Outstanding - December 31, 2017	\$ 8,175,000	\$ 12,275,000
Interest Rates	2.00-3.625%	2.00-3.125%
Maturity Dates - Serially Beginning/Ending	February 1, 2018/2039	February 1, 2018/2036
Interest Payment Dates	February 1, August 1	February 1, August 1
Callable Dates	February 1, 2022*	February 1, 2022*
	Series 2017	
Amount Outstanding - December 31, 2017	\$ 13,750,000	
Interest Rates	2.00-4.50%	
Maturity Dates - Serially Beginning/Ending	February 1, 2020/2044	
Interest Payment Dates	February 1, August 1	
Callable Dates	February 1, 2023*	

- * At a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2015 term bonds maturing on February 1, 2038, February 1, 2040 and February 1, 2042 are subject to mandatory redemption beginning February 1, 2037, February 1, 2039 and February 1, 2041, respectively. Series 2017 term bonds maturing on February 1, 2031, February 1, 2033, February 1, 2035, February 1, 2037, February 1, 2039 and February 1, 2044 are subject to mandatory redemption beginning February 1, 2030, February 1, 2032, February 1, 2034, February 1, 2036, February 1, 2038 and February 1, 2040, respectively.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3. LONG-TERM DEBT (Continued)

As of December 31, 2017, the District had authorized but unissued utility bonds in the amount of \$43,725,000.

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

	January 1, 2017	Additions	Retirements	December 31, 2017
Bonds Payable	\$ 61,795,000	\$ 13,750,000	\$ 2,700,000	\$ 72,845,000
Unamortized Discounts	(562,201)	(412,032)	(28,168)	(946,065)
Unamortized Premiums	494,923	2,927		497,850
Bonds Payable, Net	<u>\$ 61,727,722</u>	<u>\$ 13,340,895</u>	<u>\$ 2,671,832</u>	<u>\$ 72,396,785</u>
			Amount Due Within One Year	\$ 2,695,000
			Amount Due After One Year	<u>69,701,785</u>
			Bonds Payable, Net	<u>\$ 72,396,785</u>

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

Fiscal Year	Principal	Interest	Total
2018	\$ 2,695,000	\$ 2,163,995	\$ 4,858,995
2019	2,580,000	2,242,277	4,822,277
2020	2,955,000	2,153,449	5,108,449
2021	3,055,000	2,055,346	5,110,346
2022	3,180,000	1,952,074	5,132,074
2023-2027	17,960,000	8,226,611	26,186,611
2028-2032	18,675,000	5,176,429	23,851,429
2033-2037	13,235,000	2,537,792	15,772,792
2038-2042	6,910,000	875,170	7,785,170
2043-2044	1,600,000	56,000	1,656,000
	<u>\$ 72,845,000</u>	<u>\$ 27,439,143</u>	<u>\$ 100,284,143</u>

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.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended December 31, 2017 the District levied an ad valorem debt service tax at the rate of \$0.58 per \$100 of assessed valuation, which resulted in a tax levy of \$5,532,612 on the adjusted taxable valuation of \$953,898,590 for the 2017 tax year. The bond orders 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.

The District's tax calendar is as follows:

Levy Date	- October 1 or as soon thereafter as practicable.
Lien Date	- January 1.
Due Date	- 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 orders state that so long as any of the bonds are outstanding, the District covenants to maintain insurance on such parts of the system as are usually insured by municipal corporations and political subdivisions in Texas operating like properties in similar locations under the same circumstances with a responsible insurance company or companies against risk, accidents or casualties against which and to the extent insurance is usually carried by such municipal corporations and political subdivisions; provided, however, that at any time while any contractor engaged in construction work shall be fully responsible therefore, the District shall not be required to carry such insurance.

The bond orders state that the District is required to provide continuing disclosure of certain general financial information and operating data to each nationally recognized municipal securities information depository and 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.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$33,604,023 and the bank balance was \$32,920,669. The District was not exposed to custodial credit risk at year-end.

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

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 7,465,396	\$ 5,802,173	\$ 13,267,569
DEBT SERVICE FUND	5,813,304	1,073,232	6,886,536
CAPITAL PROJECTS FUND	4,413,346	9,036,572	13,449,918
TOTAL DEPOSITS	<u>\$ 17,692,046</u>	<u>\$ 15,911,977</u>	<u>\$ 33,604,023</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.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

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 December 31, 2017, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
TexPool	\$ 5,069	\$ 5,069	\$	\$	\$
Certificates of Deposit	5,802,173	4,794,647	1,007,526		
<u>DEBT SERVICE FUND</u>					
TexPool	5,067	5,067			
Certificate of Deposit	1,073,232	1,073,232			
<u>CAPITAL PROJECTS FUND</u>					
TexPool	5,075	5,075			
Certificates of Deposit	9,036,572	9,036,572			
TOTAL INVESTMENTS	\$ 15,927,188	\$ 14,919,662	\$ 1,007,526	\$ - 0 -	\$ - 0 -

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2017, the District's investment in TexPool was rated AAA, by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments 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.

NOTE 6. CAPITAL ASSETS

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

	January 1, 2017	Increases	Decreases	December 31, 2017
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 2,373,562	\$	\$	\$ 2,373,562
Construction in Progress	<u>1,279,775</u>	<u>2,140,982</u>	<u>234,250</u>	<u>3,186,507</u>
Total Capital Assets Not Being Depreciated	<u>\$ 3,653,337</u>	<u>\$ 2,140,982</u>	<u>\$ 234,250</u>	<u>\$ 5,560,069</u>
Capital Assets Subject to Depreciation				
Vehicles, Buildings and Improvements	\$ 5,780,266	\$	\$	\$ 5,780,266
Water System	17,127,608	92,625		17,220,233
Wastewater System	20,330,014	93,894		20,423,908
Drainage System	<u>15,365,218</u>	<u>47,731</u>		<u>15,412,949</u>
Total Capital Assets Subject to Depreciation	<u>\$ 58,603,106</u>	<u>\$ 234,250</u>	<u>\$ - 0 -</u>	<u>\$ 58,837,356</u>
Accumulated Depreciation				
Vehicles, Buildings and Improvements	\$ 1,766,315	\$ 184,844	\$	\$ 1,951,159
Water System	5,167,057	496,477		5,663,534
Wastewater System	5,784,845	507,657		6,292,502
Drainage System	<u>2,980,952</u>	<u>358,539</u>		<u>3,339,491</u>
Total Accumulated Depreciation	<u>\$ 15,699,169</u>	<u>\$ 1,547,517</u>	<u>\$ - 0 -</u>	<u>\$ 17,246,686</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 42,903,937</u>	<u>\$ (1,313,267)</u>	<u>\$ - 0 -</u>	<u>\$ 41,590,670</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 46,557,274</u>	<u>\$ 827,715</u>	<u>\$ 234,250</u>	<u>\$ 47,150,739</u>

The District has financed drainage facilities which have been conveyed to other entities for maintenance. As a result, the District's long-term debt is greater than its net capital assets.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6. CAPITAL ASSETS (Continued)

Capacity interest costs for the year ended December 31, 2017:

	January 1, 2017	Increases	Decreases	December 31, 2017
Capacity Interest Costs				
Water Purification Plant	\$ 2,446,547	\$	\$	\$ 2,446,547
Wastewater Treatment Plant	1,975,263			1,975,263
Total Capacity Interest Costs	<u>\$ 4,421,810</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 4,421,810</u>
Less Accumulated Amortization				
Water Purification Plant	\$ 1,500,458	\$ 61,164	\$	\$ 1,561,622
Wastewater Treatment Plant	1,332,000	49,382		1,381,382
Total Accumulated Amortization	<u>\$ 2,832,458</u>	<u>\$ 110,546</u>	<u>\$ - 0 -</u>	<u>\$ 2,943,004</u>
Total Unamortized Capacity Interest Costs	<u>\$ 1,589,352</u>	<u>\$ (110,546)</u>	<u>\$ - 0 -</u>	<u>\$ 1,478,806</u>

NOTE 7. MAINTENANCE TAX

On November 8, 1983, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District. During the year ended December 31, 2017, the District levied an ad valorem maintenance tax at the rate of \$0.09 per \$100 of assessed valuation, which resulted in a tax levy of \$858,509 on the adjusted taxable valuation of \$953,898,590 for the 2017 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.

NOTE 8. WATER SUPPLY AGREEMENT

On April 2, 1992, the District executed an agreement providing for the general procedures for annexation of Harris County Municipal Utility District No. 192, the transfer of 1,000,000 gallons per day surface water capacity in the City of Houston's Southeast Water Purification Plant (the "Plant") to the District, and the bond financing of improvements to serve the property within the annexed District No. 192. The District applied to and received approval from the Commission to use a total of \$1,100,000 to purchase the above, \$581,833 were bond proceeds released from escrow and the capacity rights from three developers from within the annexed District No. 192 and the remaining balance of \$518,167 was from surplus funds held in the Capital Projects Fund. During a prior fiscal year, the City provided a final accounting on this project and the District paid an additional \$73,661 for its share of the surface water treatment plant, and the District started receiving surface water from the City. During a prior year, the District purchased an additional 500,000 gallons per day capacity in the Plant for \$445,110.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 8. WATER SUPPLY AGREEMENT (Continued)

As of December 31, 2017, the District has acquired a total of 1,500,000 gallons per day capacity in the Plant. All amounts paid for the purchase of capacity have been capitalized as an investment in an intangible asset and are being amortized over the life of the agreement with the City of Houston, which is 40 years. During the current year, the District incurred \$517,034 in costs relating to the terms of this agreement.

NOTE 9. WASTE DISPOSAL AGREEMENT

On June 5, 1986, the District entered into a waste disposal contract with the City of Houston, Texas (the "City") providing for the District to receive sewage treatment services at a wholesale rate. In return the District made capital contributions to the City in the total amount of \$899,000. With this contribution, the District was able to acquire 1,627,150 gallons per day sewage treatment capacity in the Sagemont Regional Sewage Treatment Plant. In addition, upon annexation of Harris County Municipal Utility District No. 192, the District inherited a wastewater treatment agreement with the City for 1,000,000 gallons per day of capacity. At a later date, the City gave consent to the assignment of the agreement to the District.

As of the year end, the District is charged a rate for sewage treatment calculated as follows: 0.315 (4,505 connections) and 0.35 (remaining connections) multiplied by \$1.497, multiplied by the number of days in the month, multiplied by residential equivalent units. The term of the agreement is 40 years. During the current year, the District incurred a cost of \$1,244,945 for sewage treatment in the Sagemont Plant.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters 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.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 11. FIRE PROTECTION

On August 10, 2000, the District entered into an agreement with the South East Volunteer Fire Department (the "SEVFD"), whereby the SEVFD will provide fire protection to persons, buildings, and property located within the boundaries of the District. This agreement became effective on February 1, 2001, after the District declared the favorable results of the voter election to approve the fire plan.

Under the terms of the agreement, the District will make monthly payments to the SEVFD. The monthly charge will remain effective until the District's regular January meeting, at which time, the District may consider adjusting the monthly charges. The District may increase, decrease, or leave unchanged the amount of the monthly charges based upon its review of the SEVFD's most recent budget. Any adjustment to the monthly charge shall be solely in the District's discretion. As of December 31, 2017, the monthly payment was \$43,039.

The term of the agreement is one year (the "Initial Term") and shall be automatically renewed thereafter for successive one-year terms. After the Initial Term, either party may elect not to renew this agreement by giving written notice to the other party at least 60 days before the expiration of the current term.

Under the District's current rate order, each residential connection and homeowners association is charged \$6.32 per month, each apartment is charged \$6.32 per unit plus \$0.50 per 1,000 gallons of used water used in excess of 7,000 gallons of water per month times the number of units, and each commercial connection is charged \$6.32 for the first 7,000 gallons of water used plus \$0.50 per 1,000 gallons of water used thereafter. During the current fiscal year, the District recorded fire protection service expenditures of \$516,470.

NOTE 12. BOND SALE

On December 14, 2017, the District closed on the sale of its \$13,750,000 Unlimited Tax Bonds, Series 2017. The District used the proceeds to reimburse two developers for water, wastewater and drainage costs to serve Ashley Pointe, Sections 8, 11 and 12 and Stillwater Cove, Section 1; to fund Olivewood and Sageking water plant modification improvements, Highland Meadow, Sage Meadow and Wood Meadow, Phase 2 sanitary sewer rehabilitation, recoating of District lift stations and certain issuance costs of the bonds.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 13. PENSION PLANS

Employees of the District may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457. The District established this plan effective June 15, 2001, under the name of Deferred Compensation Plan for Employees of the District, to enable employees who become covered under the plan to enhance their retirement security by permitting them to enter into agreements with the employer to defer compensation and receive benefits. It is the District's intent that this plan be an "Eligible Deferred Compensation Plan" in the meaning of Section 457 of the Internal Revenue Code of 1986, as amended, and that it be administered in a manner which is consistent with the requirements of that statute so that the federal income taxation of compensation deferred may be deferred until the compensation and any income attributable thereto is paid or otherwise made available under the terms of this Plan. An individual is eligible to participate in this Plan at any time he or she is an employee of the District. During each employment period in which the employee is a participant in the plan, the District shall defer payment of such part of his compensation as is specified by the employee in his Participation Agreement provided that the maximum that each participant may defer under this plan for any taxable year shall not exceed the lesser of:

1. \$15,000 or
2. 33 1/3% of the Participant's Includible compensation.

All amounts of deferred compensation, whether or not invested by the employer, shall at all times be and remain an asset of the employer. Any and all dividends, capital gains distributions, interest or other income payable on any of the employer's investments of deferred compensation also shall be an asset of the employer. Amounts shall be made available and become payable under this plan to participants or beneficiaries only if the participant ceases to be an employee by reason of termination, retirement, disability or death or if the participant experiences an "Unforeseeable Emergency". Distributions from the plan must be made primarily for the benefit of participants.

The District also participates in a Simplified Employee Pension Plan. The District contributes 6.5% of each eligible employee's salary into the plan. Each employee can designate the specific mutual funds which receive the contribution. To be eligible for participation in the plan, the employee must have been employed by the District during at least three (3) of the immediately preceding five years. As of April 1, 2007, employees are eligible to participate in the plan upon employment with the District.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 14. STRATEGIC PARTNERSHIP AGREEMENT

Effective May 9, 2002, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas (the "City"). 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 of applying the City's Fire Ordinances within the Subject Tract within the boundaries of the District. This limited purpose annexation will occur upon the City's disannexation of the Subject Tract and the District's annexation of the Subject Tract. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District. On November 12, 2002, and on May 12, 2005, the District executed first and second amendments to the agreement, respectively. These amendments added properties to the limited purpose annexations.

All taxable property within the District shall not be liable for any present or future debts of the City, and current and future taxes levied by the City shall not be levied on taxable property within the District. Upon the limited-purpose annexation of the Subject Tract, the City's municipal courts shall have jurisdiction to adjudicate criminal cases filed under the Fire Ordinances and State laws. Provisions of the Regulatory Plan adopted by the City will be applicable to the Subject Tract of land within the District. The District's assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period preceding full-purpose annexation.

The City is responsible for notifying the voters within the Subject Tract. The City shall impose a Sales and Use Tax within the boundaries of the Subject Tract upon the limited-purpose annexation of the Subject Tract. The Sales and Use Tax shall be imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. As consideration for the utility services to be provided by the District, the City will provide police, fire suppression and emergency medical services in the Subject Tract. In consideration for the municipal services to be provided by the City as listed above, the District agrees to make a payment of \$100 per year on the anniversary of the Implementation Date of this agreement. 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.

On December 2, 2002, the Amendment to Strategic Partnership Agreement became effective. This amendment allows the City to annex a tract of land defined as the "Amendment Tract" for the limited purposes of applying the City's Fire Ordinances within the Amendment Tract.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 14. STRATEGIC PARTNERSHIP AGREEMENT (Continued)

The City shall impose a Sales and Use Tax within the boundaries of the Amendment Tract upon the limited-purpose annexation of the Amendment Tract. The Sales and Use Tax shall be imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under future amendments to Chapter 321 of the Tax Code. The City agrees to pay the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Amendment Tract. The City agrees to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Controller's office. During the current fiscal year, the District received \$153,794 from the City in accordance with this agreement, of which \$39,200 was recorded as a receivable at year-end.

NOTE 15. AGREEMENT FOR CONVEYANCE OF DRAINAGE CAPACITY

On January 7, 2002, the District entered into an Agreement for Conveyance of Drainage Capacity with the Pasadena Independent School District ("PISD"). PISD agreed to pay the District \$380,000 for 82 cubic feet per second of drainage capacity in a drainage channel previously constructed by the District to serve the Clear Brook Meadows subdivision within the District. The District remains responsible for maintenance of the channel. The contract shall remain in effect for a perpetual term.

NOTE 16. DETENTION POND FAILURE - SETTLED LITIGATION

The District experienced a detention pond failure in the Meadows of Clear Creek caused by design errors and omissions. During the current year, the case was settled, and the District received a favorable settlement in the amount of \$2,100,000.

NOTE 17. HURRICANE HARVEY

The Houston area, including Harris County, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District believes that it received approximately 47 inches of rain between August 26 and August 29 including approximately 24 inches of rain that was received in one 24-hour period and 7 inches of rain that fell within a one hour period of time. According to the District's operator, the District's System did not sustain any significant damage and there was no interruption of water and sewer service during Hurricane Harvey. The District did experience flooding in approximately 1,200 of the 5,600 homes in the District. During the flood the District utilized its high-water rescue trucks in conjunction with the efforts of the Southeast Volunteer Fire Department to serve the residents of the District; there was no loss of life in the District during Hurricane Harvey. The District has had a storm debris contract in place since 2014 and as of year-end substantially all of the debris has been removed from the District. The District has applied for reimbursement for a portion of

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 17. HURRICANE HARVEY (Continued)

such costs reimbursement from the Federal Emergency Management Agency. Most of that flooding (approximately 90%) occurred in the subdivisions of Sageglen, Wood Meadow, and Highland Meadow all of which were developed and substantially built out prior to 1990. The District believes that most of the flooded homes in the District were homes that were required to have flood insurance and that as of this report, it appears that most of those flooded homes are in the process of being rehabilitated.

On or about August 23, 2017, in anticipation of Harvey's landfall, Governor Greg Abbott issued a proclamation declaring a state of disaster in numerous counties located along the Texas gulf coast, including Harris County. The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. At this time, the Board of Directors of the District has not authorized a reappraisal of property located within the District; however, the Board of Directors of the District may do so in the event further assessment of the District reveals material impacts as a result of Hurricane Harvey. The District is not bound by a reappraisal of property that is authorized by another taxing unit and not authorized by the District. The District cannot predict what impact Hurricane Harvey will have on the assessed value of homes within the District.

Such determination will be made by the Appraisal District based on the market value of such homes as of January 1, 2018 (unless the District authorizes a reappraisal of property prior to such time as described in the preceding paragraph), which market value will be affected by, among other things, the extent to which any damage has been incurred and the extent to which it has been repaired. Further, there is no assurance that a casualty loss will be covered by insurance. Flood casualties are usually excepted from coverage unless specific flood insurance is purchased. The District cannot provide assurance that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damages to improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected. Finally, it is not known at this time what impact the effects of Hurricane Harvey will have generally upon the value of homes that did not sustain damage. A substantial decrease in the assessed valuation in the District would likely result in a corresponding increase in the District's tax rate.

Hurricane Harvey is expected to have a significant short-term impact on the Houston region's economy. It may also have an adverse long-term impact on business activity and development in the region, especially if further destructive weather events occur in the near term.

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CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 755,260	\$ 780,840	\$ 25,580
Water Service	2,496,912	2,237,971	(258,941)
Wastewater Service	3,069,667	3,320,059	250,392
Sales Tax Revenue	168,366	153,794	(14,572)
Litigation Settlement Revenues	1,200,000	2,100,000	900,000
Penalty and Interest	86,707	105,405	18,698
Tap Connection and Inspection Fees	72,600	451,117	378,517
Investment Revenues	56,687	91,186	34,499
Miscellaneous Revenues	380,191	398,207	18,016
TOTAL REVENUES	<u>\$ 8,286,390</u>	<u>\$ 9,638,579</u>	<u>\$ 1,352,189</u>
EXPENDITURES			
Services Operations:			
Personnel	\$ 654,442	\$ 613,399	\$ 41,043
Professional Fees	192,000	160,393	31,607
Contracted Services	2,299,226	2,299,977	(751)
Purchased Water Service	553,186	517,034	36,152
Purchased Wastewater Service	1,218,322	1,244,945	(26,623)
Utilities	157,000	111,923	45,077
Repairs and Maintenance	1,082,185	1,280,747	(198,562)
Other	632,814	687,917	(55,103)
Capital Outlay	620,000	614,887	5,113
TOTAL EXPENDITURES	<u>\$ 7,409,175</u>	<u>\$ 7,531,222</u>	<u>\$ (122,047)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 877,215</u>	<u>\$ 2,107,357</u>	<u>\$ 1,230,142</u>
OTHER FINANCING SOURCES			
Transfers In	<u>\$ 181,153</u>	<u>\$ -0-</u>	<u>\$ (181,153)</u>
NET CHANGE IN FUND BALANCE	\$ 1,058,368	\$ 2,107,357	\$ 1,048,989
FUND BALANCE - JANUARY 1, 2017	<u>10,587,266</u>	<u>10,587,266</u>	
FUND BALANCE - DECEMBER 31, 2017	<u>\$ 11,645,634</u>	<u>\$ 12,694,623</u>	<u>\$ 1,048,989</u>

See accompanying independent auditor's report.

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CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2017

**CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

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

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 3/4" METER (OR EQUIVALENT):

Based on the rate order approved November 16, 2016.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$18.34	7,000	N	\$ 1.25 \$ 1.75 \$ 2.50 \$ 3.00	7,001 to 10,000 10,001 to 15,000 15,001 to 25,000 25,001 and up
WASTEWATER:	\$42.56		Y		
SURCHARGE:					
Solid Waste/ Garbage	Cost of service included above				
Commission Regulatory Assessments					
Fire Protection Services	\$6.32		Y		
Regional Water Authority Fees					
Other (Name)					

District employs winter averaging for wastewater usage?

☐ Yes ☒ No

Total monthly charges per 10,000 gallons usage: Water: \$22.09 Wastewater: \$42.56 Surcharge: \$6.32

See accompanying independent auditor's report.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 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>5,699</u>	<u>5,572</u>	x 1.0	<u>5,572</u>
1"	<u>123</u>	<u>123</u>	x 2.5	<u>308</u>
1½"	<u>37</u>	<u>37</u>	x 5.0	<u>185</u>
2"	<u>92</u>	<u>87</u>	x 8.0	<u>696</u>
3"	<u>4</u>	<u>4</u>	x 15.0	<u>60</u>
4"	<u>2</u>	<u>2</u>	x 25.0	<u>50</u>
6"	<u>4</u>	<u>4</u>	x 50.0	<u>200</u>
8"	<u>5</u>	<u>5</u>	x 80.0	<u>160</u>
10"	<u>1</u>	<u>1</u>	x 115.0	<u>115</u>
Total Water Connections	<u>5,967</u>	<u>5,835</u>		<u>7,346</u>
Total Wastewater Connections	<u>5,975</u>	<u>5,794</u>	x 1.0	<u>5,794</u>

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

Gallons pumped into system:	26,411,000	Water Accountability Ratio: 89.3% (Gallons billed/Gallons pumped and purchased)
Gallons billed to customers:	563,867,000	
Gallons purchased:	604,940,000	From: City of Houston

See accompanying independent auditor's report.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 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.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2017

PERSONNEL EXPENDITURES (Including Benefits)	\$ 613,399
PROFESSIONAL FEES:	
Auditing	\$ 23,400
Engineering	38,173
Legal	97,020
Financial Advisor	1,800
TOTAL PROFESSIONAL FEES	\$ 160,393
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 517,034
Purchased Wastewater Service	1,244,945
TOTAL PURCHASED SERVICES FOR RESALE	\$ 1,761,979
CONTRACTED SERVICES:	
Bookkeeping	\$ 14,957
UTILITIES:	
Electricity	\$ 101,493
Telephone	10,430
TOTAL UTILITIES	\$ 111,923
REPAIRS AND MAINTENANCE	\$ 1,280,747
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 36,000
Dues	1,350
Insurance	59,975
Meeting Expense	12,778
Office Supplies and Postage	34,639
Software	98,772
Travel and Meetings	2,832
Website	10,180
Other	26,990
TOTAL ADMINISTRATIVE EXPENDITURES	\$ 283,516

See accompanying independent auditor's report.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2017

CAPITAL OUTLAY	\$ <u>614,887</u>
TAP CONNECTIONS	\$ <u>194,024</u>
SOLID WASTE DISPOSAL	\$ <u>752,589</u>
SECURITY	\$ <u>1,015,961</u>
FIRE FIGHTING	\$ <u>516,470</u>
OTHER EXPENDITURES:	
Chemicals	\$ 24,675
Laboratory Fees	11,953
Meter Reading	28,834
Permit Fees	5,314
Regulatory Assessment	37,940
Other	<u>101,661</u>
TOTAL OTHER EXPENDITURES	\$ <u>210,377</u>
TOTAL EXPENDITURES	\$ <u>7,531,222</u>

Number of persons employed by the District 9 Full-Time -0- Part-Time

See accompanying independent auditor's report.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
INVESTMENTS
FOR THE YEAR ENDED DECEMBER 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	XXXX0001	Varies	Daily	\$ 5,069	\$
Certificate of Deposit	XXXX5154	0.90%	12/10/18	1,313,092	
Certificate of Deposit	XXXX7043	0.80%	01/12/18	1,664,604	
Certificate of Deposit	XXXX9821	1.79%	01/20/19	1,007,526	
Certificate of Deposit	XXXX0359	1.29%	12/15/18	245,251	
Certificate of Deposit	XXXX8066	0.50%	07/08/18	244,986	
Certificate of Deposit	XXXX8669	0.85%	04/21/18	253,482	
Certificate of Deposit	XXXX8671	0.85%	04/30/18	1,073,232	
TOTAL GENERAL FUND				<u>\$ 5,807,242</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 5,067	\$
Certificate of Deposit	XXXX8670	0.85%	04/30/18	1,073,232	
TOTAL DEBT SERVICE FUND				<u>\$ 1,078,299</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 5,075	\$
Certificate of Deposit	XXXX4015	0.60%	02/21/18	3,036,572	
Certificate of Deposit	XXXX0067	0.90%	12/21/18	6,000,000	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 9,041,647</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 15,927,188</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
JANUARY 1, 2017	\$	259,995	\$	1,675,913
Adjustments to Beginning				
Balance		<u>3,928</u>		<u>25,317</u>
	\$	263,923	\$	1,701,230
Original 2017 Tax Levy	\$	791,186	\$	5,098,752
Adjustment to 2017 Tax Levy		<u>67,323</u>		<u>433,860</u>
		858,509		5,532,612
TOTAL TO BE				
ACCOUNTED FOR		\$ 1,122,432		\$ 7,233,842
TAX COLLECTIONS:				
Prior Years	\$	249,720	\$	1,609,307
Current Year		<u>582,936</u>		<u>3,756,700</u>
		832,656		5,366,007
TAXES RECEIVABLE -				
DECEMBER 31, 2017		<u>\$ 289,776</u>		<u>\$ 1,867,835</u>
TAXES RECEIVABLE BY				
YEAR:				
2017	\$	275,573	\$	1,775,912
2016		5,476		35,288
2015		2,503		16,131
2014		1,366		8,800
2013		1,244		8,016
2012		1,225		7,893
2011		435		2,801
2010		662		4,265
2009		393		2,532
2008		320		2,064
2007		179		1,192
2006 and Prior		<u>400</u>		<u>2,941</u>
TOTAL		<u>\$ 289,776</u>		<u>\$ 1,867,835</u>

See accompanying independent auditor's report.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PROPERTY VALUATIONS:				
Land	\$ 262,183,035	\$ 228,731,446	\$ 214,271,235	\$ 204,386,935
Improvements	985,322,158	917,725,864	846,547,534	749,570,360
Personal Property	21,702,250	21,292,393	19,814,535	18,769,836
Exemptions	<u>(315,308,853)</u>	<u>(302,386,300)</u>	<u>(284,603,420)</u>	<u>(255,503,084)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 953,898,590</u>	<u>\$ 865,363,403</u>	<u>\$ 796,029,884</u>	<u>\$ 717,224,047</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.58	\$ 0.58	\$ 0.58	\$ 0.58
Maintenance	<u>0.09</u>	<u>0.09</u>	<u>0.09</u>	<u>0.09</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.67</u>	<u>\$ 0.67</u>	<u>\$ 0.67</u>	<u>\$ 0.67</u>
ADJUSTED TAX LEVY*	<u>\$ 6,391,121</u>	<u>\$ 5,797,943</u>	<u>\$ 5,333,401</u>	<u>\$ 4,805,401</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>67.90 %</u>	<u>99.30 %</u>	<u>99.65 %</u>	<u>99.79 %</u>

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

Maintenance Tax – Maximum tax rate of \$0.25 per \$100 of assessed valuation approved by voters on November 8, 1983.

See accompanying independent auditor's report.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2017

S E R I E S - 2 0 1 0			
Due During Fiscal Years Ending December 31	Principal Due February 1	Interest Due February 1/ August 1	Total
2018	\$ 50,000	\$ 72,875	\$ 122,875
2019	50,000	71,094	121,094
2020	50,000	69,531	119,531
2021	50,000	67,875	117,875
2022	75,000	65,688	140,688
2023	75,000	62,969	137,969
2024	75,000	60,156	135,156
2025	75,000	57,250	132,250
2026	75,000	54,250	129,250
2027	85,000	51,050	136,050
2028	90,000	47,550	137,550
2029	100,000	43,688	143,688
2030	100,000	39,563	139,563
2031	110,000	34,750	144,750
2032	115,000	29,125	144,125
2033	125,000	23,125	148,125
2034	125,000	16,875	141,875
2035	135,000	10,375	145,375
2036	140,000	3,500	143,500
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
	<u>\$ 1,700,000</u>	<u>\$ 881,289</u>	<u>\$ 2,581,289</u>

See accompanying independent auditor's report.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2017

REFUNDING SERIES - 2010 A			
Due During Fiscal Years Ending December 31	Principal Due February 1	Interest Due February 1/ August 1	Total
2018	\$ 700,000	\$ 140,000	\$ 840,000
2019	735,000	111,300	846,300
2020	770,000	81,200	851,200
2021	805,000	49,700	854,700
2022	840,000	16,800	856,800
2023			
2024			
2025			
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2041			
2042			
2043			
2044			
	<u>\$ 3,850,000</u>	<u>\$ 399,000</u>	<u>\$ 4,249,000</u>

See accompanying independent auditor's report.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2017

REFUNDING SERIES - 2012			
Due During Fiscal Years Ending December 31	Principal Due February 1	Interest Due February 1/ August 1	Total
2018	\$ 550,000	\$ 342,800	\$ 892,800
2019	315,000	325,500	640,500
2020	365,000	311,900	676,900
2021	390,000	296,800	686,800
2022	415,000	280,700	695,700
2023	410,000	264,200	674,200
2024	435,000	247,300	682,300
2025	460,000	229,400	689,400
2026	480,000	210,600	690,600
2027	555,000	189,900	744,900
2028	600,000	166,800	766,800
2029	1,895,000	116,900	2,011,900
2030	1,975,000	39,500	2,014,500
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
	<u>\$ 8,845,000</u>	<u>\$ 3,022,300</u>	<u>\$ 11,867,300</u>

See accompanying independent auditor's report.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2017

REFUNDING SERIES - 2013			
Due During Fiscal Years Ending December 31	Principal Due February 1	Interest Due February 1/ August 1	Total
2018	\$ 165,000	\$ 293,869	\$ 458,869
2019	260,000	289,619	549,619
2020	440,000	282,617	722,617
2021	450,000	271,469	721,469
2022	470,000	257,669	727,669
2023	490,000	243,268	733,268
2024	510,000	226,993	736,993
2025	530,000	208,793	738,793
2026	555,000	189,806	744,806
2027	580,000	169,944	749,944
2028	610,000	149,119	759,119
2029	635,000	128,919	763,919
2030	665,000	109,003	774,003
2031	690,000	87,400	777,400
2032	720,000	64,488	784,488
2033	750,000	40,132	790,132
2034	785,000	13,738	798,738
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
	<u>\$ 9,305,000</u>	<u>\$ 3,026,846</u>	<u>\$ 12,331,846</u>

See accompanying independent auditor's report.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2017

REFUNDING SERIES - 2014			
Due During Fiscal Years Ending December 31	Principal Due February 1	Interest Due February 1/ August 1	Total
2018	\$ 575,000	\$ 208,527	\$ 783,527
2019	565,000	192,339	757,339
2020	60,000	183,464	243,464
2021	65,000	181,689	246,689
2022	65,000	179,843	244,843
2023	970,000	165,146	1,135,146
2024	995,000	137,243	1,132,243
2025	1,030,000	108,488	1,138,488
2026	1,060,000	78,810	1,138,810
2027	1,105,000	48,067	1,153,067
2028	1,140,000	16,188	1,156,188
2029			
2030			
2031			
2032			
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2043			
2044			
	<u>\$ 7,630,000</u>	<u>\$ 1,499,804</u>	<u>\$ 9,129,804</u>

See accompanying independent auditor's report.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2017

S E R I E S - 2 0 1 5			
Due During Fiscal Years Ending December 31	Principal Due February 1	Interest Due February 1/ August 1	Total
2018	\$ 175,000	\$ 258,100	\$ 433,100
2019	175,000	250,225	425,225
2020	200,000	241,787	441,787
2021	200,000	235,288	435,288
2022	200,000	231,037	431,037
2023	200,000	226,288	426,288
2024	200,000	221,037	421,037
2025	225,000	214,913	439,913
2026	225,000	208,162	433,162
2027	250,000	200,881	450,881
2028	250,000	192,913	442,913
2029	275,000	184,381	459,381
2030	275,000	175,100	450,100
2031	300,000	165,038	465,038
2032	300,000	154,350	454,350
2033	300,000	143,475	443,475
2034	350,000	131,475	481,475
2035	350,000	118,350	468,350
2036	350,000	105,225	455,225
2037	375,000	91,631	466,631
2038	400,000	77,100	477,100
2039	400,000	61,600	461,600
2040	425,000	45,100	470,100
2041	450,000	27,600	477,600
2042	465,000	9,300	474,300
2043			
2044			
	<u>\$ 7,315,000</u>	<u>\$ 3,970,356</u>	<u>\$ 11,285,356</u>

See accompanying independent auditor's report.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2017

REFUNDING SERIES - 2016			
Due During Fiscal Years Ending December 31	Principal Due February 1	Interest Due February 1/ August 1	Total
2018	\$ 260,000	\$ 240,081	\$ 500,081
2019	265,000	234,831	499,831
2020	280,000	229,381	509,381
2021	285,000	223,731	508,731
2022	290,000	217,981	507,981
2023	295,000	211,947	506,947
2024	305,000	205,381	510,381
2025	315,000	197,225	512,225
2026	330,000	188,375	518,375
2027	335,000	179,225	514,225
2028	350,000	168,950	518,950
2029	365,000	158,225	523,225
2030	375,000	147,125	522,125
2031	395,000	135,328	530,328
2032	405,000	122,575	527,575
2033	420,000	109,170	529,170
2034	440,000	94,645	534,645
2035	455,000	78,981	533,981
2036	470,000	62,795	532,795
2037	495,000	45,906	540,906
2038	510,000	28,320	538,320
2039	535,000	9,697	544,697
2040			
2041			
2042			
2043			
2044			
	<u>\$ 8,175,000</u>	<u>\$ 3,289,875</u>	<u>\$ 11,464,875</u>

See accompanying independent auditor's report.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2017

REFUNDING SERIES - 2016 A			
Due During Fiscal Years Ending December 31	Principal Due February 1	Interest Due February 1/ August 1	Total
2018	\$ 220,000	\$ 327,875	\$ 547,875
2019	215,000	323,525	538,525
2020	490,000	316,475	806,475
2021	510,000	305,200	815,200
2022	525,000	292,262	817,262
2023	545,000	280,250	825,250
2024	560,000	269,200	829,200
2025	575,000	257,131	832,131
2026	590,000	243,656	833,656
2027	610,000	229,025	839,025
2028	630,000	213,525	843,525
2029	655,000	196,644	851,644
2030	675,000	177,513	852,513
2031	705,000	156,812	861,812
2032	725,000	135,363	860,363
2033	755,000	113,162	868,162
2034	780,000	90,137	870,137
2035	1,680,000	52,188	1,732,188
2036	830,000	12,969	842,969
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
	<u>\$ 12,275,000</u>	<u>\$ 3,992,912</u>	<u>\$ 16,267,912</u>

See accompanying independent auditor's report.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2017

S E R I E S - 2 0 1 7			
Due During Fiscal Years Ending December 31	Principal Due February 1	Interest Due February 1/ August 1	Total
2018	\$	\$ 279,868	\$ 279,868
2019		443,844	443,844
2020	300,000	437,094	737,094
2021	300,000	423,594	723,594
2022	300,000	410,094	710,094
2023	350,000	395,906	745,906
2024	350,000	384,969	734,969
2025	350,000	377,969	727,969
2026	400,000	370,219	770,219
2027	400,000	361,219	761,219
2028	425,000	351,156	776,156
2029	450,000	339,656	789,656
2030	475,000	326,344	801,344
2031	600,000	310,219	910,219
2032	600,000	292,219	892,219
2033	600,000	274,219	874,219
2034	600,000	255,844	855,844
2035	600,000	237,094	837,094
2036	650,000	217,156	867,156
2037	675,000	195,625	870,625
2038	675,000	173,266	848,266
2039	700,000	150,062	850,062
2040	750,000	125,125	875,125
2041	800,000	98,000	898,000
2042	800,000	70,000	870,000
2043	800,000	42,000	842,000
2044	800,000	14,000	814,000
	<u>\$ 13,750,000</u>	<u>\$ 7,356,761</u>	<u>\$ 21,106,761</u>

See accompanying independent auditor's report.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2017

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2018	\$ 2,695,000	\$ 2,163,995	\$ 4,858,995
2019	2,580,000	2,242,277	4,822,277
2020	2,955,000	2,153,449	5,108,449
2021	3,055,000	2,055,346	5,110,346
2022	3,180,000	1,952,074	5,132,074
2023	3,335,000	1,849,974	5,184,974
2024	3,430,000	1,752,279	5,182,279
2025	3,560,000	1,651,169	5,211,169
2026	3,715,000	1,543,878	5,258,878
2027	3,920,000	1,429,311	5,349,311
2028	4,095,000	1,306,201	5,401,201
2029	4,375,000	1,168,413	5,543,413
2030	4,540,000	1,014,148	5,554,148
2031	2,800,000	889,547	3,689,547
2032	2,865,000	798,120	3,663,120
2033	2,950,000	703,283	3,653,283
2034	3,080,000	602,714	3,682,714
2035	3,220,000	496,988	3,716,988
2036	2,440,000	401,645	2,841,645
2037	1,545,000	333,162	1,878,162
2038	1,585,000	278,686	1,863,686
2039	1,635,000	221,359	1,856,359
2040	1,175,000	170,225	1,345,225
2041	1,250,000	125,600	1,375,600
2042	1,265,000	79,300	1,344,300
2043	800,000	42,000	842,000
2044	800,000	14,000	814,000
	<u>\$ 72,845,000</u>	<u>\$ 27,439,143</u>	<u>\$ 100,284,143</u>

See accompanying independent auditor's report.

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CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2017

Description	Original Bonds Issued	Bonds Outstanding January 1, 2017
Clear Brook City Municipal Utility District Unlimited Tax Fire Protection Bonds - Series 2010	1,900,000	1,750,000
Clear Brook City Municipal Utility District Unlimited Refunding Tax Bonds - Series 2010A	8,080,000	4,515,000
Clear Brook City Municipal Utility District Unlimited Refunding Tax Bonds - Series 2012	9,570,000	9,350,000
Clear Brook City Municipal Utility District Unlimited Refunding Tax Bonds - Series 2013	9,680,000	9,470,000
Clear Brook City Municipal Utility District Unlimited Tax Refunding Bonds - Series 2014	8,310,000	8,215,000
Clear Brook City Municipal Utility District Unlimited Tax Bonds - Series 2015	7,490,000	7,490,000
Clear Brook City Municipal Utility District Unlimited Tax Refunding Bonds - Series 2016	8,430,000	8,430,000
Clear Brook City Municipal Utility District Unlimited Tax Refunding Bonds - Series 2016A	12,575,000	12,575,000
Clear Brook City Municipal Utility District Unlimited Tax Bonds - Series 2017	13,750,000	
TOTAL	\$ 79,785,000	\$ 61,795,000

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding December 31, 2017	Paying Agent
	Principal	Interest		
	50,000	74,875	1,700,000	Wells Fargo Bank N.A. Houston, TX
	665,000	167,300	3,850,000	Wells Fargo Bank N.A. Houston, TX
	505,000	363,900	8,845,000	Wells Fargo Bank N.A. Houston, TX
	165,000	297,169	9,305,000	Wells Fargo Bank N.A. Houston, TX
	585,000	224,999	7,630,000	Bank of Texas, N.A. Houston, TX
	175,000	265,975	7,315,000	Amegy Bank N.A. Houston, TX
	255,000	245,231	8,175,000	Amegy Bank N.A. Houston, TX
	300,000	333,075	12,275,000	Amegy Bank N.A. Houston, TX
				ZB, N.A.
				dba Amegy Bank
				Houston, TX
<u>13,750,000</u>			<u>13,750,000</u>	
<u>\$ 13,750,000</u>	<u>\$ 2,700,000</u>	<u>\$ 1,972,524</u>	<u>\$ 72,845,000</u>	

See accompanying independent auditor's report.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2017

Bond Authority:	<u>Tax Bonds*</u>	<u>Fire Protection Bonds</u>
Amount Authorized by Voters	\$ 115,835,000	\$ 1,900,000
Amount Issued	<u>72,110,000</u>	<u>1,900,000</u>
Remaining to be Issued	<u>\$ 43,725,000</u>	<u>\$ - 0 -</u>
Debt Service Fund cash and investment balances as of December 31, 2017:		<u>\$ 6,891,603</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 3,714,228</u>

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

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

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CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND-FIVE YEARS

	Amounts		
	2017	2016	2015
REVENUES			
Property Taxes	\$ 780,840	\$ 710,892	\$ 645,169
Water Service	2,237,971	2,143,782	2,105,918
Wastewater Service	3,320,059	2,927,502	2,913,193
Tap Connection and Inspection Fees	451,117	601,868	233,184
Sales Tax Revenue	153,794	156,174	138,423
Penalty and Interest	105,405	101,404	87,828
Investment Revenues	91,186	57,576	58,260
Litigation Settlement/Miscellaneous Revenues	2,498,207	291,725	424,213
TOTAL REVENUES	<u>\$ 9,638,579</u>	<u>\$ 6,990,923</u>	<u>\$ 6,606,188</u>
EXPENDITURES			
Personnel	\$ 613,399	\$ 662,069	\$ 588,280
Professional Fees	160,393	157,131	169,619
Contracted Services	2,299,977	1,847,998	1,828,485
Purchased Water Service	517,034	380,980	323,048
Purchased Wastewater Service	1,244,945	1,238,572	1,118,203
Utilities	111,923	127,624	166,072
Repairs and Maintenance	1,280,747	589,912	932,832
Other	687,917	628,893	523,482
Capital Outlay	614,887	916,832	496,954
TOTAL EXPENDITURES	<u>\$ 7,531,222</u>	<u>\$ 6,550,011</u>	<u>\$ 6,146,975</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 2,107,357</u>	<u>\$ 440,912</u>	<u>\$ 459,213</u>
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 250,728</u>
NET CHANGE IN FUND BALANCE	<u>\$ 2,107,357</u>	<u>\$ 440,912</u>	<u>\$ 709,941</u>
BEGINNING FUND BALANCE	<u>10,587,266</u>	<u>10,146,354</u>	<u>9,436,413</u>
ENDING FUND BALANCE	<u>\$ 12,694,623</u>	<u>\$ 10,587,266</u>	<u>\$ 10,146,354</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2014	2013	2017	2016	2015	2014	2013
\$ 599,040	\$ 592,854	8.1 %	10.1 %	9.8 %	9.9 %	9.9 %
2,116,950	2,084,543	23.2	30.7	31.9	34.7	34.7
2,514,945	2,473,209	34.4	41.9	44.1	41.2	41.1
220,823	93,671	4.7	8.6	3.5	3.6	1.5
130,874	127,707	1.6	2.2	2.1	2.1	2.1
96,777	88,117	1.1	1.5	1.3	1.6	1.5
61,613	60,499	0.9	0.8	0.9	1.0	1.0
361,351	491,510	26.0	4.2	6.4	5.9	8.2
<u>\$ 6,102,373</u>	<u>\$ 6,012,110</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 572,791	\$ 509,403	6.4 %	9.5 %	8.9 %	9.4 %	8.5 %
197,419	200,857	1.7	2.2	2.6	3.2	3.3
1,784,863	1,808,603	23.9	26.4	27.7	29.2	30.1
219,623	378,206	5.4	5.4	4.9	3.6	6.3
1,105,147	1,065,757	12.9	17.7	16.9	18.1	17.7
178,655	151,702	1.2	1.8	2.5	2.9	2.5
558,587	707,528	13.3	8.4	14.1	9.2	11.8
457,407	277,776	7.1	9.0	7.9	7.5	4.6
767,694	412,837	6.4	13.1	7.5	12.6	6.9
<u>\$ 5,842,186</u>	<u>\$ 5,512,669</u>	<u>78.3 %</u>	<u>93.5 %</u>	<u>93.0 %</u>	<u>95.7 %</u>	<u>91.7 %</u>
<u>\$ 260,187</u>	<u>\$ 499,441</u>	<u>21.7 %</u>	<u>6.5 %</u>	<u>7.0 %</u>	<u>4.3 %</u>	<u>8.3 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 260,187	\$ 499,441					
<u>9,176,226</u>	<u>8,676,785</u>					
<u>\$ 9,436,413</u>	<u>\$ 9,176,226</u>					

See accompanying independent auditor's report.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND-FIVE YEARS

	Amounts		
	2017	2016	2015
REVENUES			
Property Taxes	\$ 5,032,079	\$ 4,581,303	\$ 4,159,761
Penalty and Interest	61,057	51,867	44,007
Investment Revenues	25,383	22,281	24,464
Miscellaneous Revenues	1,984	1,146	611
TOTAL REVENUES	<u>\$ 5,120,503</u>	<u>\$ 4,656,597</u>	<u>\$ 4,228,843</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 149,875	\$ 137,809	\$ 128,292
Debt Service Principal	2,700,000	2,230,000	2,075,000
Debt Service Interest and Fees	1,976,947	1,961,598	2,242,641
Bond Issuance Costs		686,920	
Payment to Refunded Bond Escrow Agent		222,000	
TOTAL EXPENDITURES	<u>\$ 4,826,822</u>	<u>\$ 5,238,327</u>	<u>\$ 4,445,933</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 293,681</u>	<u>\$ (581,730)</u>	<u>\$ (217,090)</u>
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$	\$ 21,005,000	\$
Transfer to Refunded Bond Escrow Agent		(19,985,049)	
Bond Premium (Discount)		(315,663)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ 704,288</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 293,681	\$ 122,558	\$ (217,090)
BEGINNING FUND BALANCE	<u>2,267,897</u>	<u>2,145,339</u>	<u>2,362,429</u>
ENDING FUND BALANCE	<u>\$ 2,561,578</u>	<u>\$ 2,267,897</u>	<u>\$ 2,145,339</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>5,835</u>	<u>5,741</u>	<u>5,588</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>5,794</u>	<u>5,701</u>	<u>5,590</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2014	2013	2017	2016	2015	2014	2013
\$ 3,860,484	\$ 3,821,543	98.3 %	98.4 %	98.4 %	98.3 %	98.5 %
42,309	38,276	1.2	1.1	1.0	1.1	1.0
23,906	19,123	0.5	0.5	0.6	0.6	0.5
43						
<u>\$ 3,926,742</u>	<u>\$ 3,878,942</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 125,552	\$ 129,248	2.9 %	3.0 %	3.0 %	3.2 %	3.3 %
1,995,000	1,920,000	52.7	47.9	49.1	50.8	49.5
2,421,010	2,500,017	38.6	42.1	53.0	61.7	64.5
207,900	383,804		14.8		5.3	9.9
			4.8			
<u>\$ 4,749,462</u>	<u>\$ 4,933,069</u>	<u>94.2 %</u>	<u>112.6 %</u>	<u>105.1 %</u>	<u>121.0 %</u>	<u>127.2 %</u>
<u>\$ (822,720)</u>	<u>\$ (1,054,127)</u>	<u>5.8 %</u>	<u>(12.6) %</u>	<u>(5.1) %</u>	<u>(21.0) %</u>	<u>(27.2) %</u>
\$ 8,310,000	\$ 9,680,000					
(8,094,320)	(9,415,215)					
	121,524					
<u>\$ 215,680</u>	<u>\$ 386,309</u>					
\$ (607,040)	\$ (667,818)					
<u>2,969,469</u>	<u>3,637,287</u>					
<u>\$ 2,362,429</u>	<u>\$ 2,969,469</u>					
<u>5,552</u>	<u>5,495</u>					
<u>5,313</u>	<u>5,256</u>					

See accompanying independent auditor's report.

**CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2017**

District Mailing Address - Clear Brook City Municipal Utility District
c/o Norton Rose Fulbright US LLP
1301 McKinney Street, Suite 5100
Houston, TX 77010

District Telephone Number - (713) 651-3620

Board Members	Term of Office (Elected or <u>Appointed</u>)	Fees of Office for the year ended December 31, <u>2017</u>	Reimbursements for the year ended December 31, <u>2017</u>	<u>Title</u>
Jim B. Bishop	05/14 05/18 (Elected)	\$ 7,200	\$ -0-	President/ Investment Officer
Charles T. Tylka	05/16 05/20 (Elected)	\$ 7,200	\$ -0-	Vice President
David E. Flickinger	05/16 05/20 (Elected)	\$ 7,200	\$ 518	Secretary
Kelly Buckman	05/16 05/20 (Elected)	\$ 7,200	\$ -0-	Assistant Secretary
James Towey	05/14 05/18 (Elected)	\$ 7,200	\$ 1,105	Assistant Secretary

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

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): July 5, 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 October 2, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2017

Consultants:	Date Hired	Fees for the year ended December 31, 2017	Title
Norton Rose Fulbright US LLP	03/09/06	\$ 77,977 \$ 257,000	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	12/03/92	\$ 23,400	Auditor
Ham, Langston & Brezina, L.L.P.		\$ 15,028	Bookkeeper
Linebarger, Grogan, Blair and Sampson	04/13/06	\$ 14,345	Delinquent Tax Attorney
Blackline Engineering	03/21/12	\$ 399,098	Engineer
The GMS Group	01/18/96	\$ 278,934	Financial Advisor
Bob Leared, RTA	03/06/86	\$ 75,993	Tax Assessor/ Collector
Dean Baier	04/01/01	\$ 118,115	General Manager – Operations
Cecelia Ganje	10/05/06	\$ 80,605	General Manager – Administration

See accompanying independent auditor's report.

