

**NORTHWEST HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 16**

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

June 30, 2015

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Independent Auditors' Report

Board of Directors
Northwest Harris County Municipal Utility District No. 16
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Northwest Harris County Municipal Utility District No. 16, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the 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 basic 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 basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 to provide a basis for our audit opinions.

***Board of Directors
Northwest Harris County Municipal Utility District No. 16
Harris County, Texas***

Opinion

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 Northwest Harris County Municipal Utility District No. 16, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

McGuire & Co, PC

Houston, Texas
November 9, 2015

Management's Discussion and Analysis

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***Northwest Harris County Municipal Utility District No. 16
Management's Discussion and Analysis
June 30, 2015***

Using this Annual Report

Within this section of the financial report of Northwest Harris County Municipal Utility District No. 16 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

***Northwest Harris County Municipal Utility District No. 16
Management's Discussion and Analysis
June 30, 2015***

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at June 30, 2015, was negative \$645,198. A comparative summary of the District's overall financial position, as of June 30, 2015 and 2014, is as follows:

	2015	2014
Current and other assets	\$ 3,258,304	\$ 3,329,574
Capital assets	5,185,869	5,279,800
Total assets	<u>8,444,173</u>	<u>8,609,374</u>
 Total deferred outflows of resources	 <u>199,019</u>	 <u>211,458</u>
 Current liabilities	 535,533	 878,419
Long-term liabilities	8,752,857	8,798,707
Total liabilities	<u>9,288,390</u>	<u>9,677,126</u>
 Net position		
Net investment in capital assets	(2,693,618)	(2,990,030)
Restricted	899,645	1,020,515
Unrestricted	1,148,775	1,113,221
Total net position	<u>\$ (645,198)</u>	<u>\$ (856,294)</u>

Northwest Harris County Municipal Utility District No. 16
Management's Discussion and Analysis
June 30, 2015

The total net position of the District increased by \$211,096. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2015	2014
Revenues		
Property taxes, penalties and interest	\$ 1,499,596	\$ 1,378,203
Water and sewer service	635,192	590,184
Other	759,370	632,659
Total revenues	<u>2,894,158</u>	<u>2,601,046</u>
Expenses		
Current service operations	2,075,565	1,837,933
Interest and fees	313,697	323,750
Depreciation	279,451	263,781
Total expenses	<u>2,668,713</u>	<u>2,425,464</u>
Change in net position before other item	225,445	175,582
Other items		
Loss on capital asset write off	(26,967)	
Settlement proceeds	12,618	
Insurance recovery		116,536
Change in net position	211,096	292,118
Net position, beginning of year	(856,294)	(1,148,412)
Net position, end of year	<u>\$ (645,198)</u>	<u>\$ (856,294)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of June 30, 2015, were \$2,865,135, which consists of \$1,132,371 in the General Fund, \$943,018 in the Debt Service Fund, \$789,351 in the Capital Projects Fund and \$395 in the Special Revenue Fund.

General Fund

Comparative summaries of the General Fund's financial position as of June 30, 2015 and 2014 are as follows:

	2015	2014
Total assets	<u>\$ 1,418,391</u>	<u>\$ 1,352,001</u>
Total liabilities	\$ 270,011	\$ 239,175
Total deferred inflows	16,009	14,363
Total fund balance	1,132,371	1,098,463
Total liabilities, deferred inflows and fund balance	<u>\$ 1,418,391</u>	<u>\$ 1,352,001</u>

***Northwest Harris County Municipal Utility District No. 16
Management's Discussion and Analysis
June 30, 2015***

Comparative summaries of the General Fund's activities for the current and prior fiscal year are as follows:

	2015	2014
Total revenues	\$ 1,814,514	\$ 1,546,324
Total expenditures	(1,759,487)	(1,497,290)
Revenues over expenditures	55,027	49,034
Other changes in fund balance	(21,119)	116,536
Net change in fund balance	<u>\$ 33,908</u>	<u>\$ 165,570</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. As a result, fund balance in the General Fund for the current year and prior year has increased.

Debt Service Fund

Comparative summaries of the Debt Service Fund's financial position as of June 30, 2015 and 2014 are as follows:

	2015	2014
Total assets	<u>\$ 971,814</u>	<u>\$ 1,097,316</u>
Total liabilities	\$ 127	\$ 2,216
Total deferred inflows	28,669	29,743
Total fund balance	943,018	1,065,357
Total liabilities, deferred inflows and fund balance	<u>\$ 971,814</u>	<u>\$ 1,097,316</u>

Comparative summaries of the Debt Service Fund's activities the current and prior fiscal year are as follows:

	2015	2014
Total revenues	\$ 685,091	\$ 764,884
Total expenditures	(807,430)	(811,951)
Revenues under expenditures	<u>\$ (122,339)</u>	<u>\$ (47,067)</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in a decrease in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

***Northwest Harris County Municipal Utility District No. 16
Management's Discussion and Analysis
June 30, 2015***

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of June 30, 2015 and 2014 is as follows:

	2015	2014
Total assets	<u>\$ 789,351</u>	<u>\$ 797,419</u>
Total fund balance	<u>\$ 789,351</u>	<u>\$ 797,419</u>

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2015	2014
Total revenues	\$ 768	\$ 845
Total expenditures	<u>(42,573)</u>	<u>(9,396)</u>
Revenues under expenditures	(41,805)	(8,551)
Other changes in fund balance	33,737	
Net change in fund balance	<u>\$ (8,068)</u>	<u>\$ (8,551)</u>

The District has not had any significant capital asset activity in the last two years.

Special Revenue Fund

A comparative summary of the Special Revenue Fund's financial position as of June 30, 2015 and 2014 is as follows:

	2015	2014
Total assets	<u>\$ 146,706</u>	<u>\$ 150,796</u>
Total liabilities	\$ 146,311	\$ 150,401
Total fund balance	395	395
Total liabilities and fund balance	<u>\$ 146,706</u>	<u>\$ 150,796</u>

A comparative summary of activities in the Special Revenue Fund for the current and prior fiscal year is as follows:

	2015	2014
Total revenues	\$ 393,213	\$ 305,345
Total expenditures	<u>(393,213)</u>	<u>(305,345)</u>
Revenues over/(under) expenditures	<u>\$ -</u>	<u>\$ -</u>

Revenues in the Special Revenue Fund primarily consist of charges to participants. The amount the District charges is based upon the actual cost of providing services. Consequently, revenues will equal expenditures each year.

Northwest Harris County Municipal Utility District No. 16
Management's Discussion and Analysis
June 30, 2015

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$51,313 less than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

Capital assets held by the District at June 30, 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Capital assets not being depreciated		
Land and improvements	\$ 124,634	\$ 124,634
Construction in progress		26,967
	<u>124,634</u>	<u>151,601</u>
Capital assets being depreciated		
Buildings and structures	964,409	945,948
Furniture, fixtures and equipment	176,573	42,401
Water, sewer and drainage systems	7,475,278	7,415,424
	<u>8,616,260</u>	<u>8,403,773</u>
Less accumulated depreciation		
Buildings and structures	(301,662)	(276,675)
Furniture, fixtures and equipment	(38,833)	(22,815)
Water, sewer and drainage systems	(3,214,530)	(2,976,084)
	<u>(3,555,025)</u>	<u>(3,275,574)</u>
Depreciable capital assets, net	<u>5,061,235</u>	<u>5,128,199</u>
Capital assets, net	<u>\$ 5,185,869</u>	<u>\$ 5,279,800</u>

Additions to capital assets during the year consisted of the following:

- 12 inch water line extension
- 8 inch sewer line extension
- Sprinkler system
- Security cameras for the administrative building
- C series pump and pump room

Northwest Harris County Municipal Utility District No. 16
Management's Discussion and Analysis
June 30, 2015

Long-Term Debt

At June 30, 2015 and 2014, the District had total bonded debt outstanding as shown below:

Series	2015	2014
2003	\$ 20,000	\$ 40,000
2012 Refunding	8,600,000	9,060,000
	<u>\$ 8,620,000</u>	<u>\$ 9,100,000</u>

At June 30, 2015, the District had \$10,605,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$14,460,000 for refunding purposes.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	2015 Actual	2016 Budget
Total revenues	\$ 1,814,514	\$ 1,769,303
Total expenditures	(1,759,487)	(1,671,040)
Revenues over expenditures	55,027	98,263
Other changes in fund balance	(21,119)	
Net change in fund balance	33,908	98,263
Beginning fund balance	1,098,463	1,132,371
Ending fund balance	<u>\$ 1,132,371</u>	<u>\$ 1,230,634</u>

Property Taxes

The District's property tax base increased approximately \$1,093,000 for the 2015 tax year from \$121,081,322 to \$122,174,645. For the 2015 tax year, the District has levied a maintenance tax rate of \$0.61 per \$100 of assessed value and a debt service tax rate of \$0.55 per \$100 of assessed value, for a total combined tax rate of \$1.16 per \$100. Tax rates for the 2014 tax year were \$0.64 per \$100 for maintenance and operations and \$0.55 per \$100 for debt service.

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Basic Financial Statements

Northwest Harris County Municipal Utility District No. 16
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2015

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Assets					
Cash	\$ 160,910	\$ 228,288	\$ 46	\$ 92,761	\$ 482,005
Investments	750,000	720,504	946,793		2,417,297
Taxes receivable, net	16,009	28,669			44,678
Customer service receivables, net	128,556				128,556
Internal balances	281,048	(7,326)	(273,722)		
Due from other districts	7,001			53,945	60,946
Other receivables	6,909	1,679			8,588
Restricted cash			116,234		116,234
Operating reserve - wastewater treatment plant	67,958				67,958
Capital assets not being depreciated					
Capital assets, net					
Total Assets	\$ 1,418,391	\$ 971,814	\$ 789,351	\$ 146,706	\$ 3,326,262
Deferred Outflows of Resources					
Deferred difference on refunding					
Liabilities					
Accounts payable	\$ 174,425	\$ -	\$ -	\$ 27,735	\$ 202,160
Other payables	793	127		6,228	7,148
Customer deposits	88,430				88,430
Builder deposits	6,363				6,363
Operating reserves from participants				112,348	112,348
Accrued interest payable					
Due to developer					
Long-term debt					
Due within one year					
Due after one year					
Total Liabilities	270,011	127		146,311	416,449
Deferred Inflows of Resources					
Deferred property taxes	16,009	28,669			44,678
Fund Balances/Net Position					
Fund Balances					
Nonspendable	67,958				67,958
Restricted		943,018	789,351		1,732,369
Committed				395	395
Unassigned	1,064,413				1,064,413
Total Fund Balances	1,132,371	943,018	789,351	395	2,865,135
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,418,391	\$ 971,814	\$ 789,351	\$ 146,706	\$ 3,326,262
Net Position					
Net investment in capital assets					
Restricted for debt service					
Unrestricted					
Total Net Position					

See notes to basic financial statements.

<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ -	\$ 482,005
	2,417,297
	44,678
	128,556
	60,946
	8,588
	116,234
(67,958)	
124,634	124,634
5,061,235	5,061,235
<u>5,117,911</u>	<u>8,444,173</u>
<u>199,019</u>	<u>199,019</u>
	202,160
	7,148
	88,430
	6,363
(67,958)	44,390
72,042	72,042
396,594	396,594
115,000	115,000
8,356,263	8,356,263
<u>8,871,941</u>	<u>9,288,390</u>
<u>(44,678)</u>	
(67,958)	
(1,732,369)	
(395)	
<u>(1,064,413)</u>	
<u>(2,865,135)</u>	
(2,693,618)	(2,693,618)
899,645	899,645
1,148,775	1,148,775
<u>\$ (645,198)</u>	<u>\$ (645,198)</u>

Northwest Harris County Municipal Utility District No. 16
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Revenues					
Water service	\$ 295,840	\$ -	\$ -	\$ -	\$ 295,840
Sewer service	339,352				339,352
Property taxes	773,224	668,120			1,441,344
Penalties and interest	44,954	12,726			57,680
Surface water fees	123,141				123,141
Security fees	147,720				147,720
Recreational facility user fees	42,300				42,300
Wastewater treatment and disposal				393,151	393,151
Tap connection and inspection	30,936				30,936
Miscellaneous	14,957	1,292			16,249
Investment earnings	2,090	2,953	768	62	5,873
Total Revenues	1,814,514	685,091	768	393,213	2,893,586
Expenditures/Expenses					
Current service operations					
Purchased services	275,273				275,273
Professional fees	114,161		42,342	6,675	163,178
Contracted services	529,474	28,486		162,169	720,129
Repairs and maintenance	423,132			107,393	530,525
Utilities	72,069			75,291	147,360
Surface water fees	94,852				94,852
Administrative	91,024	2,605		12,781	106,410
Other	35,561	1,834	231	212	37,838
Capital outlay	123,941			28,692	152,633
Debt service					
Principal		480,000			480,000
Interest and fees		294,505			294,505
Depreciation					
Total Expenditures/Expenses	1,759,487	807,430	42,573	393,213	3,002,703
Revenues Over/(Under)					
Expenditures/Expenses	55,027	(122,339)	(41,805)		(109,117)
Other Financing Sources/(Uses)					
Internal transfers	(33,737)		33,737		
Other Items					
Loss on capital asset write off					
Settlement proceeds	12,618				12,618
Net Change in Fund Balances	33,908	(122,339)	(8,068)		(96,499)
Change in Net Position					
Fund Balance/Net Position					
Beginning of the year	1,098,463	1,065,357	797,419	395	2,961,634
End of the year	\$ 1,132,371	\$ 943,018	\$ 789,351	\$ 395	\$ 2,865,135

See notes to basic financial statements.

<u>Adjustments</u>	<u>Statement of Activities</u>
\$ -	\$ 295,840
	339,352
(591)	1,440,753
1,163	58,843
	123,141
	147,720
	42,300
	393,151
	30,936
	16,249
	5,873
<u>572</u>	<u>2,894,158</u>
	275,273
	163,178
	720,129
	530,525
	147,360
	94,852
	106,410
	37,838
(152,633)	
(480,000)	
19,192	313,697
279,451	279,451
<u>(333,990)</u>	<u>2,668,713</u>
334,562	225,445
(26,967)	(26,967)
	<u>12,618</u>
96,499	
211,096	211,096
<u>(3,817,928)</u>	<u>(856,294)</u>
<u>\$ (3,510,333)</u>	<u>\$ (645,198)</u>

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Northwest Harris County Municipal Utility District No. 16
Notes to Basic Financial Statements
June 30, 2015

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Northwest Harris County Municipal Utility District No. 16 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Water Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated January 4, 1978, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on January 5, 1978 and the first bonds were sold on October 10, 1978.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The Governmental Accounting Standards Board 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 statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has four governmental funds, which are all considered major funds.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer and drainage facilities.
- The Special Revenue Fund is used to account for revenues and expenditures for the District's wastewater treatment plant. See Note 11 for additional information.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Northwest Harris County Municipal Utility District No. 16
Notes to Basic Financial Statements
June 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At June 30, 2015, allowances of \$2,277 and \$2,000 were provided for possible uncollectible property taxes and water/sewer accounts, respectively.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets, which primarily consist of water, wastewater and drainage facilities, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Buildings and structures	5-40 years
Furniture, fixtures and equipment	10 years
Water, sewer and drainage systems	10-45 years

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

Northwest Harris County Municipal Utility District No. 16
Notes to Basic Financial Statements
June 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources (continued)

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Deferred outflows of financial resources at the government wide level are from a refunding bond transaction in 2012 in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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. The District's nonspendable fund balance consists of operating reserves paid to the Special Revenue Fund for the joint wastewater treatment plant.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District's committed fund balances in the Special Revenue Fund consist of amounts restricted for the operation of the joint wastewater treatment plant in accordance with the District's contract with Harris County Municipal Utility District No. 166 and Harris County Municipal Utility District No. 257.

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

Northwest Harris County Municipal Utility District No. 16
Notes to Basic Financial Statements
June 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectibility of receivables; the value of unbilled utility revenues and receivables; the useful lives and impairment of capital assets; the value of amounts due to developer and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Northwest Harris County Municipal Utility District No. 16
Notes to Basic Financial Statements
June 30, 2015

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds	\$ 2,865,135
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 8,740,894	
Less accumulated depreciation	(3,555,025)	
Change due to capital assets	<u>5,185,869</u>	5,185,869

The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.

199,019

Amounts due to the District's developer for prefunded construction are recorded as a liability in the *Statement of Net Position*.

(396,594)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Bonds payable, net	(8,471,263)	
Interest payable on bonds	(72,042)	
Change due to long-term debt	<u>(8,543,305)</u>	(8,543,305)

Property taxes and related penalties and interest receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.

Property taxes receivable	32,473	
Penalty and interest receivable	12,205	
Change due to property taxes	<u>44,678</u>	44,678

Total net position - governmental activities	<u><u>\$ (645,198)</u></u>
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Northwest Harris County Municipal Utility District No. 16
Notes to Basic Financial Statements
June 30, 2015

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds	\$	(96,499)
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest. 572

Governmental funds report capital outlays for construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset or charged as a loss when written off.

Capital outlays	\$	152,633	
Depreciation expense		(279,451)	
Loss on capital asset write off		(26,967)	
			(153,785)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Principal payments	480,000	
Interest expense accrual	(19,192)	
		460,808

Change in net position of governmental activities	\$	211,096
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Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District’s deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third party custodian. The act further specifies the types of securities that can be used as collateral. The District’s written investment policy establishes additional requirements for collateralization of deposits.

Northwest Harris County Municipal Utility District No. 16
Notes to Basic Financial Statements
June 30, 2015

Note 3 – Deposits and Investments (continued)

Restricted Cash

At June 30, 2015, the District held in escrow \$85,572 from the Series 2001 Bonds and \$30,662 from the Series 2002 Bonds, as required by the Texas Commission on Environmental Quality, for use on specified projects.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of June 30, 2015, the District's investments consist of the following:

<u>Type</u>	<u>Fund</u>	<u>Carrying Value</u>	<u>Percentage of Total</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
Certificates of deposit	General	\$ 750,000		N/A	N/A
	Debt Service	720,000			
		<u>1,470,000</u>	<u>61%</u>		
TexPool	Debt Service	504		AAAm	67 days
	Capital Projects	647,181			
		<u>647,685</u>	<u>27%</u>		
Texas CLASS	Capital Projects	<u>299,612</u>	<u>12%</u>	AAAm	55 days
Total		<u>\$ 2,417,297</u>	<u>100%</u>		

The District's investments in certificates of deposit are stated at cost, which approximates fair value.

Northwest Harris County Municipal Utility District No. 16
Notes to Basic Financial Statements
June 30, 2015

Note 3 – Deposits and Investments (continued)

Investment Pools

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price. Accordingly, the fair value of the District’s position in TexPool is the same as the value of TexPool shares.

The District also participates in Texas Cooperative Liquid Assets Securities System (Texas CLASS) and Texas Short Term Asset Reserve fund (TexSTAR), which also operate as 2a-7 like investment pools. Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administrator and Wells Fargo Bank as the custodian. As with TexPool, the District’s position in Texas CLASS is the same as the value of the Texas CLASS shares.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 4 – Amounts Due to/from Other Funds

Amounts due to/from other funds at June 30, 2015, consist of the following:

	Interfund	
	Receivable	Payable
General Fund	\$ 281,048	\$ -
Debt Service Fund		7,326
Capital Projects Fund		273,722
	<u>\$ 281,048</u>	<u>\$ 281,048</u>

Amounts reported as due to/from between funds are considered temporary loans needed for normal operations and will be repaid during the following fiscal year.

Northwest Harris County Municipal Utility District No. 16
Notes to Basic Financial Statements
June 30, 2015

Note 4 – Amounts Due to/from Other Funds (continued)

In a previous fiscal year, the District recorded an internal balance between the General Fund and Capital Projects Fund for costs paid by the General Fund related to the amenity lake reinforcement. It was anticipated that the General Fund would be reimbursed by the Capital Projects Fund. During the current year, the Board determined that the reimbursement will not take place. As a result, the internal balance was eliminated, which resulted in an internal transfer being reported between the funds.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended June 30, 2015, follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 124,634	\$ -	\$ 124,634
Construction in progress	26,967	(26,967)	
	<u>151,601</u>	<u>(26,967)</u>	<u>124,634</u>
Capital assets being depreciated			
Buildings and structures	945,948	18,461	964,409
Furniture, fixtures and equipment	42,401	134,172	176,573
Water, sewer and drainage systems	7,415,424	59,854	7,475,278
	<u>8,403,773</u>	<u>212,487</u>	<u>8,616,260</u>
Less accumulated depreciation			
Buildings and structures	(276,675)	(24,987)	(301,662)
Furniture, fixtures and equipment	(22,815)	(16,018)	(38,833)
Water, sewer and drainage systems	(2,976,084)	(238,446)	(3,214,530)
	<u>(3,275,574)</u>	<u>(279,451)</u>	<u>(3,555,025)</u>
Subtotal depreciable capital assets, net	<u>5,128,199</u>	<u>(66,964)</u>	<u>5,061,235</u>
Capital assets, net	<u>\$ 5,279,800</u>	<u>\$ (93,931)</u>	<u>\$ 5,185,869</u>

Depreciation expense for the current year was \$279,451.

Note 6 – Due to Developer

The District has entered into financing agreements with a developer in the District for the financing of the construction of water, sewer and drainage facilities. Under the agreements, the developer will advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ. The District does not record the capital asset and related liability on the government wide statements until construction of the facilities is complete.

Northwest Harris County Municipal Utility District No. 16
Notes to Basic Financial Statements
June 30, 2015

Note 6 – Due to Developer (continued)

Changes in amounts due to developer during the year is as follows:

Due to developer, beginning of year	\$ 336,740
Developer funded construction	59,854
Due to developer, end of year	<u>\$ 396,594</u>

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 8,620,000
Unamortized discounts	(148,737)
	<u>\$ 8,471,263</u>
Due within one year	<u>\$ 115,000</u>

The District's bonds payable at June 30, 2015, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2003	\$ 20,000	\$ 1,465,000	4.875% to 7.0%	October 1, 2009/2030	October 1, April 1	October 1, 2012
2012 Refunding	8,600,000	9,505,000	2.0% to 4.0%	October 1, 2013/2030	October 1, April 1	October 1, 2019
	<u>\$ 8,620,000</u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At June 30, 2015, the District had authorized but unissued bonds in the amount of \$10,605,000 for water, sewer and drainage facilities and \$14,460,000 for refunding purposes.

The change in the District's long term debt during the year is as follows:

Bonds payable, beginning of year	\$ 9,100,000
Bonds retired	(480,000)
Bonds payable, end of year	<u>\$ 8,620,000</u>

Northwest Harris County Municipal Utility District No. 16
Notes to Basic Financial Statements
June 30, 2015

Note 7 – Long-Term Debt (continued)

As of June 30, 2015, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2016	\$ 115,000	\$ 286,730	\$ 401,730
2017	465,000	280,061	745,061
2018	480,000	268,830	748,830
2019	490,000	256,215	746,215
2020	500,000	242,725	742,725
2021	515,000	228,125	743,125
2022	530,000	212,119	742,119
2023	550,000	194,900	744,900
2024	570,000	175,988	745,988
2025	590,000	155,688	745,688
2026	610,000	134,306	744,306
2027	635,000	111,344	746,344
2028	660,000	87,063	747,063
2029	685,000	61,844	746,844
2030	710,000	34,800	744,800
2031	515,000	10,300	525,300
	<u>\$ 8,620,000</u>	<u>\$ 2,741,036</u>	<u>\$ 11,361,036</u>

Note 8 – Property Taxes

On January 21, 1978, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations without limit or amount. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Harris County Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2015 fiscal year was financed through the 2014 tax levy, pursuant to which the District levied property taxes of \$1.19 per \$100 of assessed value, of which \$0.64 was allocated to maintenance and operations and \$0.55 was allocated to debt service. The resulting tax levy was \$1,440,868 on the adjusted taxable value of \$121,081,322.

Northwest Harris County Municipal Utility District No. 16
Notes to Basic Financial Statements
June 30, 2015

Note 8 – Property Taxes (continued)

Net property taxes receivable, at June 30, 2015, consisted of the following:

Current year taxes receivable	\$ 20,737
Prior years taxes receivable	14,013
Less allowance for uncollectible accounts	<u>(2,277)</u>
	32,473
Penalty and interest receivable	<u>12,205</u>
Net property taxes receivable	<u><u>\$ 44,678</u></u>

Note 9 – Surface Water Fees

On July 11, 2003, the District entered into a Water Supply and Groundwater Reduction Plan Wholesale Agreement (the “Agreement”) with the City of Houston (the “City”) for the purpose of meeting regulatory compliance requirements of the Harris Galveston Coastal Subsidence District to reduce groundwater pumping. Under the terms of the Agreement, the District is a participant in the groundwater reduction plan that is managed by the City. Treated surface water will be supplied to the District by the City in sufficient quantities to meet the regulatory compliance requirements. The District pays the City a monthly pumpage fee based on the District’s water pumpage. For the current year, the District paid the City \$94,852 for pumpage fees and billed its customers \$123,141 related to pumpage fees.

Note 10 – Recreational Facilities and Pool Facilities User Fees

The District has entered into agreements with the Westminster Landing Homeowners Association, Inc. and the Westminster Village Homeowners Association, Inc. for the use of the District’s recreational facilities. Each of these agreements establishes an annual fee per residence, which is due March 1. For the year ended June 30, 2015, the District reported revenues of \$42,300 from the associations and others using the facilities.

Note 11 – Waste Treatment and Disposal Services

The District owns and operates a wastewater treatment plant (the “STP”) and has entered into waste disposal agreements (the “Agreements”) with Harris County Municipal Utility District No. 257 (HC 257) and Harris County Municipal Utility District No. 166 (HC 166) for the provision of waste collection and disposal services to HC 257 and HC 166. The District’s agreement with HC 257 is for a fifty year term and was effective January 28, 1998, as subsequently amended. The District’s agreement with HC 166 was effective February 16, 2006, as amended April 19, 2010, and terminates upon the termination date of the agreement between the District and HC 257.

The activities of the STP are accounted for in a Special Revenue Fund. Each participating district pays its pro rata share of operating and maintenance costs to the Special Revenue Fund, based on its actual usage for operating expenditures and its respective percentage of ownership for fixed administrative expenditures.

Northwest Harris County Municipal Utility District No. 16
Notes to Basic Financial Statements
June 30, 2015

Note 11 – Waste Treatment and Disposal Services (continued)

The percentages of ownership of capacity, based on the current number of active connections are as follows:

Northwest Harris County MUD No. 16	60.49%
Harris County MUD No. 166	9.01%
Harris County MUD No. 257	30.50%

The Agreements authorize the establishment of an operating and maintenance reserve by the District equivalent to not more than three months' operating and maintenance expenses, as set forth in the District's annual STP budget. The Agreements also authorize the establishment of a contingency reserve, established at the rate of \$5,000 per year until \$25,000 has been reached. Each participating district pays its pro rata share of the STP operating reserve and contingency reserve. The District may adjust the reserve as needed, not less than annually. As of June 30, 2015, the District has recorded \$87,348 for the operating reserve and \$25,000 for the contingency reserve in the Special Revenue Fund.

Note 12 – Security Agreement

On September 23, 2010, the District entered into a Security Coordinator Services Agreement for Law Enforcement Services (the "Agreement") for the purpose of providing security services to the District. The term of this agreement is on a month to month basis and may be terminated by either party with 30 days written notice. For the current year, the District paid \$238,921 for security services and billed its customers \$147,720 related to these services.

Note 13 – 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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Required Supplementary Information

Northwest Harris County Municipal Utility District No. 16
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2015

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 301,000	\$ 295,840	\$ (5,160)
Sewer service	337,000	339,352	2,352
Property taxes	586,606	773,224	186,618
Penalties and interest	39,000	44,954	5,954
Surface water fees	127,000	123,141	(3,859)
Security fees	146,000	147,720	1,720
Recreational facility user fees	43,300	42,300	(1,000)
Tap connection and inspection	129,200	30,936	(98,264)
Miscellaneous	16,917	14,957	(1,960)
Investment earnings	1,000	2,090	1,090
Total Revenues	<u>1,727,023</u>	<u>1,814,514</u>	<u>87,491</u>
Expenditures			
Current service operations			
Purchased services	234,402	275,273	(40,871)
Professional fees	109,500	114,161	(4,661)
Contracted services	596,900	529,474	67,426
Repairs and maintenance	345,100	423,132	(78,032)
Utilities	70,000	72,069	(2,069)
Surface water fees	102,600	94,852	7,748
Administrative	100,600	91,024	9,576
Other	37,200	35,561	1,639
Capital outlay	45,500	123,941	(78,441)
Total Expenditures	<u>1,641,802</u>	<u>1,759,487</u>	<u>(117,685)</u>
Revenues Over Expenditures	85,221	55,027	(30,194)
Other Financing Uses			
Internal transfers		(33,737)	(33,737)
Other Items			
Settlement proceeds		12,618	12,618
Net Change in Fund Balance	85,221	33,908	(51,313)
Fund Balance			
Beginning of the year	1,098,463	1,098,463	
End of the year	<u>\$ 1,183,684</u>	<u>\$ 1,132,371</u>	<u>\$ (51,313)</u>

Northwest Harris County Municipal Utility District No. 16
Required Supplementary Information - Budgetary Comparison Schedule - Special Revenue Fund
For the Year Ended June 30, 2015

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Wastewater treatment and disposal	\$ 389,795	\$ 393,151	\$ 3,356
Investment earnings		62	62
Total Revenues	<u>389,795</u>	<u>393,213</u>	<u>3,418</u>
Expenditures			
Current service operations			
Professional fees	35,500	6,675	28,825
Contracted services	155,550	162,169	(6,619)
Repairs and maintenance	68,000	107,393	(39,393)
Utilities	64,500	75,291	(10,791)
Administrative	13,195	12,781	414
Other	50	212	(162)
Capital outlay	53,000	28,692	24,308
Total Expenditures	<u>389,795</u>	<u>393,213</u>	<u>(3,418)</u>
Revenues Over (Under) Expenditures			
Fund Balance			
Beginning of the year	395	395	
End of the year	<u>\$ 395</u>	<u>\$ 395</u>	<u>\$ -</u>

Northwest Harris County Municipal Utility District No. 16
Notes to Required Supplementary Information
June 30, 2015

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund and Special Revenue Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. There were no amendments to either budget during the year.

Texas Supplementary Information

Northwest Harris County Municipal Utility District No. 16
TSI-1. Services and Rates
June 30, 2015

1. Services provided by the District During the Fiscal Year:

- | | | | |
|--|---|---|--|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Solid Waste/Garbage | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Roads | <input checked="" type="checkbox"/> Security |
| <input checked="" 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

(You may omit this information if your district does not provide retail services)

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels	
Water:	\$ 24.25	5,000	N	\$ 1.45	5,001	to 10,000
				\$ 1.55	10,001	to 20,000
				\$ 1.65	20,001	to 30,000
				\$ 2.65	30,001	to no limit
Wastewater:	\$ 31.88	- 0 -	Y			to _____
Surcharge:	\$ -	- 0 -	N	\$ 0.938	1,000	to no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 31.50 Wastewater \$ 31.88

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	1,079	1,050	x 1.0	1,050
1"	3	3	x 2.5	8
1.5"	2	2	x 5.0	10
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	1,084	1,055		1,068
Total Wastewater	1,048	1,036	x 1.0	1,036

See accompanying auditor's report.

Northwest Harris County Municipal Utility District No. 16
TSI-1. Services and Rates
June 30, 2015

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):
 (You may omit this information if your district does not provide water)

Gallons pumped into system:	<u>109,339,000</u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>107,289,000</u>	<u>98.13%</u>

4. Standby Fees (authorized only under TWC Section 49.231):
 (You may omit this information if your district does not levy standby fees)

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District (required for first audit year or when information changes,
 otherwise this information may be omitted):

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Harris County

Is the District located within a city? Entirely Partly Not at all

City(ies) in which the District is located: _____

Is the District located within a city's extra territorial jurisdiction (ETJ)?
 Entirely Partly Not at all

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes No

If Yes, by whom? _____

See accompanying auditors' report.

*Northwest Harris County Municipal Utility District No. 16
 TSI-2 General Fund Expenditures
 For the Year Ended June 30, 2015*

Purchased services	<u>\$ 275,273</u>
Professional fees	
Legal	56,477
Audit	11,500
Engineering	46,184
	<u>114,161</u>
Contracted services	
Bookkeeping	27,581
Operator	62,596
Security	238,921
Garbage	189,333
Tap connection and inspection	11,043
	<u>529,474</u>
Repairs and maintenance	<u>423,132</u>
Utilities	<u>72,069</u>
Surface water fees	<u>94,852</u>
Administrative	
Directors fees	24,450
Printing and office supplies	16,123
Insurance	15,190
Other	35,261
	<u>91,024</u>
Other	<u>35,561</u>
Capital outlay	<u>123,941</u>
Total expenditures	<u><u>\$ 1,759,487</u></u>

See accompanying auditors' report.

Northwest Harris County Municipal Utility District No. 16
TSI-3. Investments
June 30, 2015

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Interest Receivable</u>
General					
Certificate of deposit	1002459922	0.40%	09/10/15	\$ 100,000	\$ 151
Certificate of deposit	100141632	0.30%	02/09/16	50,000	7
Certificate of deposit	100141940	0.30%	11/18/15	100,000	81
Certificate of deposit	9009003876	0.20%	07/13/15	100,000	76
Certificate of deposit	9009010390	0.40%	12/11/15	100,000	82
Certificate of deposit	304030	0.20%	10/10/15	100,000	76
Certificate of deposit	315739	0.21%	01/04/16	100,000	47
Certificate of deposit	5000326784	0.299%	08/12/15	100,000	113
				<u>750,000</u>	<u>633</u>
Debt Service					
Certificate of deposit	1002742864	0.40%	09/12/15	240,000	279
Certificate of deposit	100141939	0.50%	03/16/16	240,000	349
Certificate of deposit	311837	0.38%	03/23/16	240,000	247
TexPool	2564200001	Variable	N/A	504	
				<u>720,504</u>	<u>875</u>
Capital Projects					
TexPool	2564200003	Variable	N/A	647,181	
Texas CLASS	TX-01-0012-0002	Variable	N/A	299,612	
				<u>946,793</u>	
Total - All Funds				<u>\$ 2,417,297</u>	<u>\$ 1,508</u>

See accompanying auditors' report.

Northwest Harris County Municipal Utility District No. 16
TSI-4. Taxes Levied and Receivable
June 30, 2015

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 14,363	\$ 18,700	\$ 33,063	
Adjustments	234	306	540	
Adjusted Receivable	14,597	19,006	33,603	
2014 Original Tax Levy	722,099	620,553	1,342,652	
Adjustments	52,822	45,394	98,216	
Adjusted Tax Levy	774,921	665,947	1,440,868	
Total to be accounted for	789,518	684,953	1,474,471	
Tax collections:				
Current year	763,768	656,363	1,420,131	
Prior years	9,741	12,126	21,867	
Total Collections	773,509	668,489	1,441,998	
Taxes Receivable, End of Year	\$ 16,009	\$ 16,464	\$ 32,473	
Taxes Receivable, By Years				
2014	\$ 11,153	\$ 9,584	\$ 20,737	
2013	1,115	1,384	2,499	
2012	392	503	895	
2011 and prior	3,349	4,993	8,342	
Taxes Receivable, End of Year	\$ 16,009	\$ 16,464	\$ 32,473	
	2014	2013	2012	2011
Property Valuations:				
Land	\$ 25,013,585	\$ 21,705,821	\$ 21,655,502	\$ 22,020,584
Improvements	107,100,794	90,804,566	91,859,627	91,844,502
Personal Property	2,088,718	2,223,893	1,972,518	2,103,464
Exemptions	(13,121,775)	(6,089,596)	(6,183,584)	(6,147,533)
Total Property Valuations	\$ 121,081,322	\$ 108,644,684	\$ 109,304,063	\$ 109,821,017
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.64	\$ 0.54	\$ 0.53	\$ 0.52
Debt service tax rates	0.55	0.67	0.68	0.69
Total Tax Rates per \$100 Valuation	\$ 1.19	\$ 1.21	\$ 1.21	\$ 1.21
Adjusted Tax Levy:	\$ 1,440,868	\$ 1,314,601	\$ 1,322,579	\$ 1,328,834
Percentage of Taxes Collected to Taxes Levied **	98.56%	99.81%	99.93%	99.92%

* Maximum Maintenance Tax Rate Approved by Voters: N/A on January 21, 1978

** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditors' report.

Northwest Harris County Municipal Utility District No. 16
TSI-5. Long-Term Debt Service Requirements
Series 2003--by Years
June 30, 2015

Due During Fiscal Years Ending	Principal Due October 1	Interest Due October 1, April 1	Total
<u>2016</u>	<u>\$ 20,000</u>	<u>\$ 488</u>	<u>\$ 20,488</u>

See accompanying auditors' report.

*Northwest Harris County Municipal Utility District No. 16
 TSI-5. Long-Term Debt Service Requirements
 Series 2012 Refunding -- by Years
 June 30, 2015*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due October 1</u>	<u>Interest Due October 1, April 1</u>	<u>Total</u>
2016	\$ 95,000	\$ 286,243	\$ 381,243
2017	465,000	280,061	745,061
2018	480,000	268,830	748,830
2019	490,000	256,215	746,215
2020	500,000	242,725	742,725
2021	515,000	228,125	743,125
2022	530,000	212,119	742,119
2023	550,000	194,900	744,900
2024	570,000	175,988	745,988
2025	590,000	155,688	745,688
2026	610,000	134,306	744,306
2027	635,000	111,344	746,344
2028	660,000	87,063	747,063
2029	685,000	61,844	746,844
2030	710,000	34,800	744,800
2031	515,000	10,300	525,300
	<u>\$ 8,600,000</u>	<u>\$ 2,740,549</u>	<u>\$ 11,340,549</u>

See accompanying auditors' report.

Northwest Harris County Municipal Utility District No. 16
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
June 30, 2015

<u>Due During Fiscal Years Ending</u>	<u>Principal Due October 1</u>	<u>Interest Due October 1, April 1</u>	<u>Total</u>
2016	\$ 115,000	\$ 286,730	\$ 401,730
2017	465,000	280,061	745,061
2018	480,000	268,830	748,830
2019	490,000	256,215	746,215
2020	500,000	242,725	742,725
2021	515,000	228,125	743,125
2022	530,000	212,119	742,119
2023	550,000	194,900	744,900
2024	570,000	175,988	745,988
2025	590,000	155,688	745,688
2026	610,000	134,306	744,306
2027	635,000	111,344	746,344
2028	660,000	87,063	747,063
2029	685,000	61,844	746,844
2030	710,000	34,800	744,800
2031	515,000	10,300	525,300
	<u>\$ 8,620,000</u>	<u>\$ 2,741,036</u>	<u>\$ 11,361,036</u>

See accompanying auditors' report.

Northwest Harris County Municipal Utility District No. 16
TSI-6. Change in Long-Term Bonded Debt
June 30, 2015

	Bond Issue		Totals
	Series 2003	Series 2012 Refunding	
Interest rate	4.875% - 7.0%	2.0% - 4.0%	
Dates interest payable	10/1; 4/1	10/1; 4/1	
Maturity dates	10/09 - 10/30	10/13 - 10/30	
Beginning bonds outstanding	\$ 40,000	\$ 9,060,000	\$ 9,100,000
Bonds retired	(20,000)	(460,000)	(480,000)
Ending bonds outstanding	<u>\$ 20,000</u>	<u>\$ 8,600,000</u>	<u>\$ 8,620,000</u>
Interest paid during fiscal year	<u>\$ 1,463</u>	<u>\$ 291,792</u>	<u>\$ 293,255</u>

Paying agent's name and city

Series 2003

JP Morgan Chase Bank, Dallas, Texas

Series 2012

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond Authority:	Water, Sewer and Drainage Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 23,685,000	\$ 15,000,000
Amount Issued	(13,080,000)	(540,000)
Remaining To Be Issued	<u>\$ 10,605,000</u>	<u>\$ 14,460,000</u>

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investments balances as of June 30, 2015: \$ 948,792

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 710,065

See accompanying auditors' report.

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Northwest Harris County Municipal Utility District No. 16
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2015	2014	2013	2012	2011
Revenues					
Water service	\$ 295,840	\$ 286,420	\$ 279,649	\$ 310,110	\$ 305,519
Sewer service	339,352	303,764	314,060	310,931	307,757
Property taxes	773,224	591,272	576,284	572,553	574,202
Penalties and interest	44,954	42,352	30,675	29,746	25,552
Surface water fees	123,141	119,205	116,795	133,867	125,534
Security fees	147,720	146,340	146,196	146,868	148,320
Recreational facility user fees	42,300	40,575	43,692	44,050	91,700
Tap connection and inspection	30,936				
Capital contributions					21,020
Miscellaneous	14,957	15,094	23,869	23,884	31,860
Investment earnings	2,090	1,302	2,057	3,332	3,845
Total Revenues	<u>1,814,514</u>	<u>1,546,324</u>	<u>1,533,277</u>	<u>1,575,341</u>	<u>1,635,309</u>
Expenditures					
Current service operations					
Purchased services	275,273	212,881	407,074	194,021	227,731
Professional fees	114,161	101,262	113,848	152,370	248,403
Contracted services	529,474	524,055	527,732	484,487	422,858
Repairs and maintenance	423,132	337,451	370,569	334,241	333,286
Utilities	72,069	68,276	59,932	87,480	98,637
Surface water fees	94,852	99,576	55,246	104,827	92,642
Administrative	91,024	99,355	94,251	99,611	104,921
Other	35,561	37,978	32,413	35,182	52,657
Capital outlay	123,941	16,456	45,196	29,147	79,596
Total Expenditures	<u>1,759,487</u>	<u>1,497,290</u>	<u>1,706,261</u>	<u>1,521,366</u>	<u>1,660,731</u>
Revenues Over (Under) Expenditures	<u>\$ 55,027</u>	<u>\$ 49,034</u>	<u>\$ (172,984)</u>	<u>\$ 53,975</u>	<u>\$ (25,422)</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2015	2014	2013	2012	2011
16%	19%	18%	20%	19%
19%	20%	20%	20%	19%
43%	37%	37%	36%	35%
2%	3%	2%	2%	2%
7%	8%	8%	8%	8%
8%	9%	10%	9%	9%
2%	3%	3%	3%	6%
2%				1%
1%	1%	2%	2%	1%
*	*	*	*	*
100%	100%	100%	100%	100%
15%	14%	27%	12%	14%
6%	7%	7%	10%	15%
29%	34%	34%	31%	26%
23%	22%	24%	21%	20%
4%	4%	4%	6%	6%
5%	6%	4%	7%	6%
5%	6%	6%	6%	6%
2%	2%	2%	2%	3%
7%	1%	3%	2%	5%
96%	96%	111%	97%	101%
4%	4%	(11%)	3%	(1%)

Northwest Harris County Municipal Utility District No. 16
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2015	2014	2013	2012	2011
Revenues					
Property taxes	\$ 668,120	\$ 735,239	\$ 739,669	\$ 758,073	\$ 750,921
Penalties and interest	12,726	25,692	11,552	14,898	11,550
Miscellaneous	1,292		736		2,984
Investment earnings	2,953	3,953	4,771	6,719	9,830
Total Revenues	<u>685,091</u>	<u>764,884</u>	<u>756,728</u>	<u>779,690</u>	<u>775,285</u>
Expenditures					
Tax collection services	32,925	42,358	31,363	33,609	33,453
Debt service					
Principal	480,000	465,000	325,000	305,000	290,000
Interest and fees	294,505	304,593	203,585	523,752	541,787
Debt issuance costs			396,728		
Total Expenditures	<u>807,430</u>	<u>811,951</u>	<u>956,676</u>	<u>862,361</u>	<u>865,240</u>
Revenues Under Expenditures	<u>\$ (122,339)</u>	<u>\$ (47,067)</u>	<u>\$ (199,948)</u>	<u>\$ (82,671)</u>	<u>\$ (89,955)</u>
Total Active Retail Water Connections	<u>1,055</u>	<u>1,046</u>	<u>1,055</u>	<u>1,045</u>	<u>1,058</u>
Connections	<u>1,036</u>	<u>1,033</u>	<u>1,020</u>	<u>1,020</u>	<u>1,023</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2015	2014	2013	2012	2011
98%	96%	97%	98%	98%
2%	3%	2%	1%	1%
*		*		*
*	1%	1%	1%	1%
100%	100%	100%	100%	100%
5%	6%	4%	4%	4%
70%	61%	43%	39%	37%
43%	40%	27%	67%	70%
		52%		
118%	107%	126%	110%	111%
(18%)	(7%)	(26%)	(10%)	(11%)

**Northwest Harris County Municipal Utility District No. 16
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended June 30, 2015**

Complete District Mailing Address: 1001 McKinney, Suite 1000, Houston, Texas 77002-6424
 District Business Telephone Number: (713) 395-4200
 Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): August 6, 2012
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Joseph Millspaugh	05/14 - 05/18	\$ 4,650	\$ 2,137	President
Karen Lange	05/12 - 05/16	6,150	2,805	Vice President
Anthony Kasapis	05/12 - 05/16	3,000	2,054	Secretary
Raquel Villareal	05/14 - 05/18	6,750	3,991	Assistant Secretary
John W. Didier	05/14 - 05/18	3,900	2,478	Director
Consultants				
Johnson Petrov LLC	6/14	<u>\$ 56,589</u>		Attorney
JePa Services, Inc.	11/07	219,806		Operator
Municipal Accounts and Consulting, Inc.	05/06	39,713		Bookkeeper
Bob Leared Interests	12/78	18,095		Tax Collector
Harris County Appraisal District	Legislation	11,066		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	04/01	3,576		Delinquent Tax Attorney
Sherrington, Inc.	09/97	32,185		Engineer
McGrath & Co., PLLC	Annual	11,500		Auditor
Rathmann and Associates	11/06			Financial Advisor

* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.
 See accompanying auditors' report.