

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

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2019**



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

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2019**



## TABLE OF CONTENTS

|  | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT   | 1-2         |
| MANAGEMENT'S DISCUSSION AND ANALYSIS   | 3-7         |
| BASIC FINANCIAL STATEMENTS   |             |
| STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET   | 8-11        |
| RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION  | 12          |
| STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES                          | 13-14       |
| RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES | 15          |
| NOTES TO THE FINANCIAL STATEMENTS  | 16-32       |
| REQUIRED SUPPLEMENTARY INFORMATION   |             |
| SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND  | 34          |
| SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE  |             |
| NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)                      |             |
| SERVICES AND RATES   | 36-38       |
| GENERAL FUND EXPENDITURES  | 39          |
| INVESTMENTS  | 40          |
| TAXES LEVIED AND RECEIVABLE  | 41-42       |
| LONG-TERM DEBT SERVICE REQUIREMENTS  | 43-46       |
| CHANGES IN LONG-TERM BOND DEBT   | 47-48       |
| COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS                                       | 49-52       |
| BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS   | 53-54       |



**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](mailto:mgsb@mgsbpllc.com)

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
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 Harris County Municipal Utility District No. 16 (the "District"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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





## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2019, 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  
Certified Public Accountants  
Houston, Texas

December 10, 2019



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Management’s discussion and analysis of Harris County Municipal Utility District No. 16’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the District’s financial statements.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The District’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective like 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 all 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, operating 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.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$5,014,544 as of September 30, 2019.

A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

|   | Summary of Changes in the Statement of Net Position |               |                                  |
|---|---|---------------|----------------------------------|
|   | 2019  | 2018          | Change<br>Positive<br>(Negative) |
| Current and Other Assets                            | \$ 10,152,426                                       | \$ 8,494,262  | \$ 1,658,164                     |
| Capital Assets (Net of Accumulated<br>Depreciation) | 6,946,955   | 5,425,989     | 1,520,966                        |
| Total Assets  | \$ 17,099,381                                       | \$ 13,920,251 | \$ 3,179,130                     |
| Bonds Payable                                       | \$ 11,612,141                                       | \$ 9,440,000  | \$ (2,172,141)                   |
| Other Liabilities                                   | 472,696   | 328,845       | (143,851)                        |
| Total Liabilities                                   | \$ 12,084,837                                       | \$ 9,768,845  | \$ (2,315,992)                   |
| Net Position:                                       |   |               |                                  |
| Net Investment in Capital Assets                    | \$ 1,131,037  | \$ (20,789)   | \$ 1,151,826                     |
| Restricted  | 1,052,790   | 1,181,667     | (128,877)                        |
| Unrestricted  | 2,830,717   | 2,990,528     | (159,811)                        |
| Total Net Position                                  | \$ 5,014,544  | \$ 4,151,406  | \$ 863,138                       |

The following table provides a summary of the District's operations for the years ended September 30, 2019, and September 30, 2018.

|                                 | Summary of Changes in the Statement of Activities |              |                                  |
|---------------------------------|---|--------------|----------------------------------|
|                                 | 2019  | 2018         | Change<br>Positive<br>(Negative) |
| Revenues:                       |   |              |                                  |
| Property Taxes                  | \$ 998,314  | \$ 951,455   | \$ 46,859                        |
| Charges for Services            | 1,258,372   | 1,290,460    | (32,088)                         |
| Other Revenues                  | 1,159,983   | 201,723      | 958,260                          |
| Total Revenues                  | \$ 3,416,669                                      | \$ 2,443,638 | \$ 973,031                       |
| Expenses for Services           | 2,553,531   | 2,192,392    | (361,139)                        |
| Change in Net Position          | \$ 863,138  | \$ 251,246   | \$ 611,892                       |
| Net Position, Beginning of Year | 4,151,406   | 3,900,160    | 251,246                          |
| Net Position, End of Year       | \$ 5,014,544                                      | \$ 4,151,406 | \$ 863,138                       |

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's combined fund balances as of September 30, 2019, were \$8,078,598, an increase of \$1,615,729 from the prior year. The General Fund fund balance decreased by \$92,877, primarily due to operating and capital expenditures exceeding service and tax revenues. The Debt Service Fund fund balance increased by \$31,931, primarily due to the structure of the District's long-term debt and issuance of Series 2018 bonds. The Capital Projects Fund fund balance increased by \$1,676,675. The District issued its Series 2018 bonds in the current fiscal year and bond funds remained unspent at year end.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$46,703 more than budgeted revenues, primarily due to property tax revenues and water authority fees which was offset by lower than anticipated service revenues. Actual expenditures were \$362,421 more than budgeted expenditures primarily due to higher than anticipated costs in all categories.

**CAPITAL ASSETS**

Capital assets as of September 30, 2019, total \$6,946,955 (net of accumulated depreciation) and include land, buildings and equipment as well as the water, wastewater and drainage systems. Construction in progress includes: engineering and construction costs related to the rehabilitation of the 14-inch sanitary sewer force main to the joint wastewater treatment plant in Northwest Harris County MUD No. 20 ("District No. 20"); engineering and construction costs related to the relocation of the District lines on Walters Road; the District's share of sludge belt/press rehabilitation at District No. 20's joint wastewater treatment plant; and engineering and construction costs for water plant improvements and rehabilitation of lift station nos. 1 and 2. Completed projects include water plant improvements and hydro tank interior recoating.

Capital Assets At Year-End, Net of Accumulated Depreciation

|   | 2019                | 2018                | Change<br>Positive<br>(Negative) |
|---|---------------------|---------------------|----------------------------------|
| Capital Assets Not Being Depreciated:               |                     |                     |                                  |
| Land and Land Improvements                          | \$ 334,779          | \$ 334,779          | \$                               |
| Construction in Progress                            | 2,024,626           | 408,520             | 1,616,106                        |
| Capital Assets, Net of Accumulated<br>Depreciation: |                     |                     |                                  |
| Water System  | 1,814,578           | 1,788,590           | 25,988                           |
| Wastewater System                                   | 2,397,561           | 2,504,585           | (107,024)                        |
| Drainage System                                     | 375,411             | 389,515             | (14,104)                         |
| Total Net Capital Assets                            | <u>\$ 6,946,955</u> | <u>\$ 5,425,989</u> | <u>\$ 1,520,966</u>              |

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**LONG-TERM DEBT ACTIVITY**

At the end of the current fiscal year, the District had total bond debt payable of \$11,690,000. The changes in the debt position of the District during the fiscal year ended September 30, 2019, are summarized as follows:

|                                       |                      |
|---------------------------------------|----------------------|
| Bond Debt Payable, October 1, 2018    | \$ 9,440,000         |
| Add: Bond Sale                        | 2,825,000            |
| Less: Bond Principal Paid             | <u>575,000</u>       |
| Bond Debt Payable, September 30, 2019 | <u>\$ 11,690,000</u> |

The District’s bonds have an underlying rating of “Baa2” from Moody’s Investor Services, Inc. The Series 2015 Bonds and Series 2018 Bonds carry insured ratings of “A2” by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The bond ratings reflect changes, if any, through year-end.

**CONTACTING THE DISTRICT’S MANAGEMENT**

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 16, c/o Young & Brooks, 10000 Memorial Drive, Suite 260, Houston, TX 77024.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2019**

|   | General Fund        | Debt<br>Service Fund |
|---|---------------------|----------------------|
| <b>ASSETS</b>   |                     |                      |
| Cash  | \$ 134,171          | \$ 61,097            |
| Investments   | 1,140,998           | 917,663              |
| Receivables:  |                     |                      |
| Property Taxes  | 4,116               | 21,342               |
| Penalty and Interest on Delinquent Taxes                |                     |                      |
| Service Accounts  | 164,712             |                      |
| Accrued Interest  | 1,678               |                      |
| Other   | 64                  |                      |
| Due from Other Funds                                    | 14,530              | 5,414                |
| Prepaid Costs   | 9,075               |                      |
| Water Authority Capital Contributions                   |                     |                      |
| Chloramine Conversion Credit Receivable                 |                     |                      |
| Advance for Wastewater Treatment Plant Operations       | 9,271               |                      |
| Advance for Wastewater Treatment Plant Capital Projects |                     |                      |
| Land  |                     |                      |
| Construction in Progress                                |                     |                      |
| Capital Assets (Net of Accumulated Depreciation)        |                     |                      |
| <b>TOTAL ASSETS</b>                                     | <b>\$ 1,478,615</b> | <b>\$ 1,005,516</b>  |

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



| <u>Capital<br/>Projects Fund</u> | <u>Total</u>        | <u>Adjustments</u>  | <u>Statement of<br/>Net Position</u> |
|----------------------------------|---------------------|---------------------|--------------------------------------|
| \$ 17,462                        | \$ 212,730          | \$                  | \$ 212,730                           |
| 5,984,184                        | 8,042,845           |                     | 8,042,845                            |
|                                  | 25,458              |                     | 25,458                               |
|                                  |                     | 7,576               | 7,576                                |
|                                  | 164,712             |                     | 164,712                              |
|                                  | 1,678               |                     | 1,678                                |
| 223                              | 287                 |                     | 287                                  |
|                                  | 19,944              | (19,944)            |                                      |
|                                  | 9,075               |                     | 9,075                                |
|                                  |                     | 1,373,900           | 1,373,900                            |
|                                  |                     | 224,628             | 224,628                              |
|                                  | 9,271               |                     | 9,271                                |
| 80,266                           | 80,266              |                     | 80,266                               |
|                                  |                     | 334,779             | 334,779                              |
|                                  |                     | 2,024,626           | 2,024,626                            |
|                                  |                     | 4,587,550           | 4,587,550                            |
| <u>\$ 6,082,135</u>              | <u>\$ 8,566,266</u> | <u>\$ 8,533,115</u> | <u>\$ 17,099,381</u>                 |

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2019**

|   | General Fund        | Debt<br>Service Fund |
|---|---------------------|----------------------|
| <b>LIABILITIES</b>  |                     |                      |
| Accounts Payable  | \$ 189,637          | \$ 10,138            |
| Accrued Interest Payable  |                     |                      |
| Due to Other Funds  | 5,414               |                      |
| Security Deposits   | 51,375              |                      |
| Long-Term Liabilities:  |                     |                      |
| Bonds Payable, Due Within One Year  |                     |                      |
| Bonds Payable, Due After One Year   |                     |                      |
| <b>TOTAL LIABILITIES</b>  | \$ 246,426          | \$ 10,138            |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                     |                      |
| Property Taxes  | \$ 4,116            | \$ 21,342            |
| <b>FUND BALANCES</b>  |                     |                      |
| Nonspendable:   |                     |                      |
| Prepaid Costs   | \$ 9,075            | \$                   |
| Operating Advance   | 9,271               |                      |
| Capital Project Advance   |                     |                      |
| Restricted for Authorized Construction  |                     |                      |
| Restricted for Debt Service   |                     | 974,036              |
| Assigned to 2020 Budget   | 106,723             |                      |
| Unassigned  | 1,103,004           |                      |
| <b>TOTAL FUND BALANCES</b>  | \$ 1,228,073        | \$ 974,036           |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES AND FUND BALANCES</b> | <b>\$ 1,478,615</b> | <b>\$ 1,005,516</b>  |
| <b>NET POSITION</b>   |                     |                      |
| Net Investment in Capital Assets  |                     |                      |
| Restricted for Debt Service   |                     |                      |
| Restricted for Capital Projects   |                     |                      |
| Unrestricted  |                     |                      |
| <b>TOTAL NET POSITION</b>   |                     |                      |

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

| <u>Capital<br/>Projects Fund</u> | <u>Total</u>        | <u>Adjustments</u>    | <u>Statement of<br/>Net Position</u> |
|----------------------------------|---------------------|-----------------------|--------------------------------------|
| \$ 191,116                       | \$ 390,891          | \$                    | \$ 390,891                           |
|                                  |                     | 30,430                | 30,430                               |
| 14,530                           | 19,944              | (19,944)              |                                      |
|                                  | 51,375              |                       | 51,375                               |
|                                  |                     | 590,000               | 590,000                              |
|                                  |                     | 11,022,141            | 11,022,141                           |
| <u>\$ 205,646</u>                | <u>\$ 462,210</u>   | <u>\$ 11,622,627</u>  | <u>\$ 12,084,837</u>                 |
| <u>\$ - 0 -</u>                  | <u>\$ 25,458</u>    | <u>\$ (25,458)</u>    | <u>\$ - 0 -</u>                      |
| \$                               | \$ 9,075            | \$ (9,075)            | \$                                   |
|                                  | 9,271               | (9,271)               |                                      |
| 80,266                           | 80,266              | (80,266)              |                                      |
| 5,796,223                        | 5,796,223           | (5,796,223)           |                                      |
|                                  | 974,036             | (974,036)             |                                      |
|                                  | 106,723             | (106,723)             |                                      |
|                                  | 1,103,004           | (1,103,004)           |                                      |
| <u>\$ 5,876,489</u>              | <u>\$ 8,078,598</u> | <u>\$ (8,078,598)</u> | <u>\$ - 0 -</u>                      |
| <u>\$ 6,082,135</u>              | <u>\$ 8,566,266</u> |                       |                                      |
|                                  |                     | \$ 1,131,037          | \$ 1,131,037                         |
|                                  |                     | 972,524               | 972,524                              |
|                                  |                     | 80,266                | 80,266                               |
|                                  |                     | <u>2,830,717</u>      | <u>2,830,717</u>                     |
|                                  |                     | <u>\$ 5,014,544</u>   | <u>\$ 5,014,544</u>                  |

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019**

|  |    |           |
|--|----|-----------|
| Total Fund Balances - Governmental Funds | \$ | 8,078,598 |
|--|----|-----------|

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

|  |  |           |
|--|--|-----------|
| Amounts due from the North Harris County Regional Water Authority for capital contributions and asset reimbursements are not current financial resources and, therefore, are not reported as assets in the governmental funds. |  | 1,598,528 |
|--|--|-----------|

|  |  |           |
|--|--|-----------|
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. |  | 6,946,955 |
|--|--|-----------|

|  |  |        |
|--|--|--------|
| Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District. |  | 33,034 |
|--|--|--------|

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

|  |                     |                     |
|--|---------------------|---------------------|
| Accrued Interest Payable                     | \$ (30,430)         |                     |
| Bonds Payable                                | <u>(11,612,141)</u> | <u>(11,642,571)</u> |
| Total Net Position - Governmental Activities |                     | <u>\$ 5,014,544</u> |

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

|   | General Fund        | Debt<br>Service Fund |
|---|---------------------|----------------------|
| <b>REVENUES</b>   |                     |                      |
| Property Taxes  | \$ 170,748          | \$ 837,175           |
| Water Service   | 448,493             |                      |
| Wastewater Service  | 329,847             |                      |
| Water Authority Fees  | 470,283             |                      |
| Penalty and Interest  | 12,425              | 14,455               |
| Water Authority Credits   | 151,354             |                      |
| Capital Recovery Fee  |                     |                      |
| Investment and Miscellaneous Revenues                                 | 40,507              | 30,650               |
| <b>TOTAL REVENUES</b>   | <b>\$ 1,623,657</b> | <b>\$ 882,280</b>    |
| <b>EXPENDITURES/EXPENSES</b>  |                     |                      |
| Service Operations:   |                     |                      |
| Professional Fees   | \$ 358,898          | \$ 16,103            |
| Contracted Services   | 213,265             | 26,932               |
| Purchased Water Service/Pumpage Fees                                  | 596,409             |                      |
| Purchased Wastewater Service  | 221,157             |                      |
| Utilities   | 40,179              |                      |
| Repairs and Maintenance   | 128,608             |                      |
| Depreciation  |                     |                      |
| Other   | 104,714             | 5,016                |
| Capital Outlay  | 121,471             |                      |
| Debt Service:   |                     |                      |
| Bond Principal  |                     | 575,000              |
| Bond Interest   |                     | 340,298              |
| Bond Issuance Costs   |                     |                      |
| <b>TOTAL EXPENDITURES/EXPENSES</b>                                    | <b>\$ 1,784,701</b> | <b>\$ 963,349</b>    |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>EXPENDITURES/EXPENSES</b> | <b>\$ (161,044)</b> | <b>\$ (81,069)</b>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                                 |                     |                      |
| Transfers In(Out)   | \$ 68,167           | \$                   |
| Proceeds from the Sale of Bonds                                       |                     | 113,000              |
| Bond Discount   |                     |                      |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                           | <b>\$ 68,167</b>    | <b>\$ 113,000</b>    |
| <b>NET CHANGE IN FUND BALANCES</b>                                    | <b>\$ (92,877)</b>  | <b>\$ 31,931</b>     |
| <b>CHANGE IN NET POSITION</b>   |                     |                      |
| <b>FUND BALANCES/NET POSITION - OCTOBER 1, 2018</b>                   | <b>1,320,950</b>    | <b>942,105</b>       |
| <b>FUND BALANCES/NET POSITION - SEPTEMBER 1, 2019</b>                 | <b>\$ 1,228,073</b> | <b>\$ 974,036</b>    |

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

| Capital<br>Projects Fund | Total                 | Adjustments           | Statement of<br>Activities |
|--------------------------|-----------------------|-----------------------|----------------------------|
| \$                       | \$ 1,007,923          | \$ (9,609)            | \$ 998,314                 |
|                          | 448,493               |                       | 448,493                    |
|                          | 329,847               |                       | 329,847                    |
|                          | 470,283               |                       | 470,283                    |
|                          | 26,880                | (17,131)              | 9,749                      |
|                          | 151,354               | (66,400)              | 84,954                     |
| 867,032                  | 867,032               |                       | 867,032                    |
| 136,840                  | 207,997               |                       | 207,997                    |
| <u>\$ 1,003,872</u>      | <u>\$ 3,509,809</u>   | <u>\$ (93,140)</u>    | <u>\$ 3,416,669</u>        |
| <br>                     |                       |                       |                            |
| \$ 2,050                 | \$ 377,051            | \$                    | \$ 377,051                 |
|                          | 240,197               |                       | 240,197                    |
|                          | 596,409               |                       | 596,409                    |
|                          | 221,157               |                       | 221,157                    |
|                          | 40,179                |                       | 40,179                     |
| 70,224                   | 198,832               |                       | 198,832                    |
|                          |                       | 240,917               | 240,917                    |
| 113                      | 109,843               |                       | 109,843                    |
| 1,640,412                | 1,761,883             | (1,761,883)           |                            |
|                          | 575,000               | (575,000)             |                            |
|                          | 340,298               | 11,647                | 351,945                    |
| 177,001                  | 177,001               |                       | 177,001                    |
| <u>\$ 1,889,800</u>      | <u>\$ 4,637,850</u>   | <u>\$ (2,084,319)</u> | <u>\$ 2,553,531</u>        |
| <br>                     |                       |                       |                            |
| <u>\$ (885,928)</u>      | <u>\$ (1,128,041)</u> | <u>\$ 1,991,179</u>   | <u>\$ 863,138</u>          |
| <br>                     |                       |                       |                            |
| \$ (68,167)              | \$                    | \$                    | \$                         |
| 2,712,000                | 2,825,000             | (2,825,000)           |                            |
| <u>(81,230)</u>          | <u>(81,230)</u>       | <u>81,230</u>         |                            |
| <u>\$ 2,562,603</u>      | <u>\$ 2,743,770</u>   | <u>\$ (2,743,770)</u> | <u>\$ -0-</u>              |
| <br>                     |                       |                       |                            |
| \$ 1,676,675             | \$ 1,615,729          | \$ (1,615,729)        | \$                         |
|                          |                       | 863,138               | 863,138                    |
| 4,199,814                | 6,462,869             | (2,311,463)           | 4,151,406                  |
| <u>\$ 5,876,489</u>      | <u>\$ 8,078,598</u>   | <u>\$ (3,064,054)</u> | <u>\$ 5,014,544</u>        |

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

|  |                   |
|--|-------------------|
| Net Change in Fund Balances - Governmental Funds   | \$ 1,615,729      |
| 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.   | (9,609)           |
| 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.  | (17,131)          |
| Governmental funds report repayment of capital contributions and other receivables as revenues in the period received. However, in the Statement of Net Position, reimbursements reduce long-term receivables.   | (66,400)          |
| Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.   | (240,917)         |
| 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.  | 1,761,883         |
| 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.  | 575,000           |
| 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.  | (11,647)          |
| Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.  | (2,825,000)       |
| 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. | 81,230            |
| Change in Net Position - Governmental Activities   | <u>\$ 863,138</u> |

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



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 1. CREATION OF DISTRICT**

Harris County Municipal Utility District No. 16, located in Harris County, Texas was created by an Order of the Texas Water Rights Commission presently known as the Texas Commission on Environmental Quality (the “Commission”), effective September 7, 1972. 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, wastewater service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct and maintain 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 November 17, 1972, and the first bonds were sold on May 19, 1981.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units. The District has entered into a joint venture with Northwest Harris County Municipal Utility District No. 20 (“District No. 20”) for wastewater disposal. Oversight responsibility of the wastewater treatment plant is by District No. 20. Additional disclosure concerning this joint venture is provided in Note 8.

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”).

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of 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.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers each of them to be major funds.

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

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

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

Basis of Accounting

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting (Continued)

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of September 30, 2019, the General Fund owed the Debt Service Fund (Tax Account) \$5,414 for excess transfers of maintenance tax collections and the Capital Projects Fund owed the General Fund \$14,530 to settle prior interfund loans and engineering costs for capital projects. During the current year, the Capital Projects Fund transferred \$68,167 to the General Fund to reimburse bond issuance costs and capital costs paid in a prior year.

Capital Assets

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

Individual capital items, including infrastructure assets are capitalized, if they have an original cost of \$5,000 or more and an estimated useful life of at least two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

|                   | Years |
|-------------------|-------|
| Water System      | 10-45 |
| Wastewater System | 10-45 |
| Drainage System   | 10-45 |

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are wages subject to federal income tax withholding for payroll purposes only.

Measurement Focus

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

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

*Assigned:* amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of September 30, 2019, the District has assigned \$106,723 for the fiscal year ending September 30, 2020 budget.

*Unassigned:* all other spendable amounts in the General Fund.

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

Accounting Estimates

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

**NOTE 3. LONG-TERM DEBT**

|   | Refunding<br>Series 2014 | Series 2015             | Series 2018             |
|---|--------------------------|-------------------------|-------------------------|
| Amount Outstanding –<br>September 30, 2019    | \$3,785,000              | \$5,080,000             | \$2,825,000             |
| Interest Rates                                | 2.38%                    | 3.00% - 3.50%           | 4.00%                   |
| Maturity Dates – Serially<br>Beginning/Ending | March 1,<br>2020/2025    | March 1,<br>2026/2035   | March 1,<br>2026/2039   |
| Interest Payment Dates                        | March 1/<br>September 1  | March 1/<br>September 1 | March 1/<br>September 1 |
| Callable Dates                                | Non-Callable             | March 1, 2023*          | March 1, 2024*          |

\* The Bonds are subject to redemption prior to maturity at the option of the District, in whole or in part, on the call date, or any date thereafter, at a price equal to the principal amount plus accrued interest to the date fixed from redemption. Series 2018 term bonds due March 1, 2027, 2029, 2031 and 2033, are subject to mandatory redemption beginning March 1, 2026, 2028, 2030 and 2032, respectively.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 3. LONG-TERM DEBT (Continued)**

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2019:

|                       | October 1,<br>2018  | Additions           | Retirements                | September 30,<br>2019 |
|-----------------------|---------------------|---------------------|----------------------------|-----------------------|
| Bonds Payable         | \$ 9,440,000        | \$ 2,825,000        | \$ 575,000                 | \$ 11,690,000         |
| Unamortized Discounts |                     | (81,230)            | (3,371)                    | (77,859)              |
| Bonds Payable, Net    | <u>\$ 9,440,000</u> | <u>\$ 2,743,770</u> | <u>\$ 571,629</u>          | <u>\$ 11,612,141</u>  |
|                       |                     |                     | Amount Due Within One Year | \$ 590,000            |
|                       |                     |                     | Amount Due After One Year  | <u>11,022,141</u>     |
|                       |                     |                     | Bonds Payable, Net         | <u>\$ 11,612,141</u>  |

As of September 30, 2019, the debt service requirements on the bonds outstanding were as follows:

| Fiscal Year | Principal            | Interest            | Total                |
|-------------|----------------------|---------------------|----------------------|
| 2020        | \$ 590,000           | \$ 358,137          | \$ 948,137           |
| 2021        | 605,000              | 343,917             | 948,917              |
| 2022        | 625,000              | 329,279             | 954,279              |
| 2023        | 635,000              | 314,286             | 949,286              |
| 2024        | 655,000              | 298,934             | 953,934              |
| 2025-2029   | 3,135,000            | 1,228,294           | 4,363,294            |
| 2030-2034   | 3,365,000            | 701,801             | 4,066,801            |
| 2035-2039   | 2,080,000            | 178,300             | 2,258,300            |
|             | <u>\$ 11,690,000</u> | <u>\$ 3,752,948</u> | <u>\$ 15,442,948</u> |

As of September 30, 2019, the District had authorized but unissued tax bonds in the amount of \$2,095,000 and refunding bonds authorization in the amount of \$6,350,000. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

During the current year, the District levied an ad valorem debt service tax rate of \$0.49 per \$100 of assessed valuation, which resulted in a tax levy of \$844,688 on the adjusted taxable valuation of \$172,385,179 for the 2018 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.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 3. LONG-TERM DEBT (Continued)**

The District's tax calendar is as follows:

- Levy Date - October 1, 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 ORDER AND LEGAL REQUIREMENTS**

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the 5<sup>th</sup> year anniversary of the bond issue.

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

In accordance with the Series 2018 bond order, bond proceeds of \$113,000 was deposited into the Debt Service Fund and restricted for the payment of bond interest during the construction period.

|  |                  |
|--|------------------|
| Restricted for Bond Interest, October 1, 2018    | \$               |
| Add: Series 2018 Bonds                           | 113,000          |
| Less: Bond Interest Paid                         | <u>81,297</u>    |
| Restricted for Bond Interest, September 30, 2019 | <u>\$ 31,703</u> |

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

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



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Deposits (Continued)

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 \$698,196 and the bank balance was \$724,889. 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 September 30, 2019, as listed below:

|                       | Cash       | Certificates<br>of Deposit | Total      |
|-----------------------|------------|----------------------------|------------|
| GENERAL FUND          | \$ 134,171 | \$ 485,466                 | \$ 619,637 |
| DEBT SERVICE FUND     | 61,097     |                            | 61,097     |
| CAPITAL PROJECTS FUND | 17,462     |                            | 17,462     |
| TOTAL DEPOSITS        | \$ 212,730 | \$ 485,466                 | \$ 698,196 |

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. 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.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures its portfolio assets at amortized cost. There are no limitations or restrictions on withdrawals from TexPool. The District measures its investments in certificates of deposit at acquisition cost.

As of September 30, 2019, the District had the following investments and maturities:

| Fund and<br>Investment Type  | Fair Value                | Maturities of<br>Less Than<br>1 Year |
|------------------------------|---------------------------|--------------------------------------|
| <u>GENERAL FUND</u>          |                           |                                      |
| TexPool                      | \$ 655,532                | \$ 655,532                           |
| Certificates of Deposit      | 485,466                   | 485,466                              |
| <u>DEBT SERVICE FUND</u>     |                           |                                      |
| TexPool                      | 917,663                   | 917,663                              |
| <u>CAPITAL PROJECTS FUND</u> |                           |                                      |
| TexPool                      | 5,984,184                 | 5,984,184                            |
| <b>TOTAL INVESTMENTS</b>     | <b><u>\$8,042,845</u></b> | <b><u>\$8,042,845</u></b>            |

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2019, the District's investments in TexPool were rated "AAAm" by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit covered by FDIC insurance.

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. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2019 is as follows:

|  | October 1,<br>2018  | Increases           | Decreases         | September 30,<br>2019 |
|--|---------------------|---------------------|-------------------|-----------------------|
| <b>Capital Assets Not Being Depreciated</b>                              |                     |                     |                   |                       |
| Land and Land Improvements   | \$ 334,779          | \$                  | \$                | \$ 334,779            |
| Construction in Progress   | 408,520             | 1,761,883           | 145,777           | 2,024,626             |
| <b>Total Capital Assets Not Being Depreciated</b>                        | <b>\$ 743,299</b>   | <b>\$ 1,761,883</b> | <b>\$ 145,777</b> | <b>\$ 2,359,405</b>   |
| <b>Capital Assets Subject to Depreciation</b>                            |                     |                     |                   |                       |
| Water System   | \$ 4,047,587        | \$ 135,112          | \$                | \$ 4,182,699          |
| Wastewater System  | 4,954,186           | 10,665              |                   | 4,964,851             |
| Drainage System  | 620,047             |                     |                   | 620,047               |
| <b>Total Capital Assets Subject to Depreciation</b>                      | <b>\$ 9,621,820</b> | <b>\$ 145,777</b>   | <b>\$ - 0 -</b>   | <b>\$ 9,767,597</b>   |
| <b>Less Accumulated Depreciation</b>                                     |                     |                     |                   |                       |
| Water System   | \$ 2,258,997        | \$ 109,124          | \$                | \$ 2,368,121          |
| Wastewater System  | 2,449,601           | 117,689             |                   | 2,567,290             |
| Drainage System  | 230,532             | 14,104              |                   | 244,636               |
| <b>Total Accumulated Depreciation</b>                                    | <b>\$ 4,939,130</b> | <b>\$ 240,917</b>   | <b>\$ - 0 -</b>   | <b>\$ 5,180,047</b>   |
| <b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b> | <b>\$ 4,682,690</b> | <b>\$ (95,140)</b>  | <b>\$ - 0 -</b>   | <b>\$ 4,587,550</b>   |
| <b>Total Capital Assets, Net of Accumulated Depreciation</b>             | <b>\$ 5,425,989</b> | <b>\$ 1,666,743</b> | <b>\$ 145,777</b> | <b>\$ 6,946,955</b>   |

**NOTE 7. MAINTENANCE TAX**

On January 20, 1979, 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. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's water works and sanitary sewer system. During the year ended September 30, 2019, the District levied an ad valorem maintenance tax rate of \$0.10 per \$100 of assessed valuation which resulted in a tax levy of \$172,385 on the adjusted taxable valuation of \$172,385,179 for the 2018 tax year.

**NOTE 8. CONTRACTS WITH OTHER DISTRICTS**

Wastewater Treatment Contract

On June 1, 1982, the District entered into a joint wastewater treatment contract with Northwest Harris County Municipal Utility District No. 20 ("District No. 20") and Northgate Forest Development Corporation. Under the terms of the agreement, District No. 20 acts as the administrator district and constructed a wastewater treatment plant. The current capacity of the

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 8.      CONTRACTS WITH OTHER DISTRICTS (Continued)**

Wastewater Treatment Contract (Continued)

plant is 1,500,000 gallons per day average daily flow with the District's share being 700,000 gallons per day. Under the terms of the agreement, each participant shared the cost to build the facility on a pro rata basis.

On January 17, 1985, the agreement was amended to provide for each participant to pay for operating and maintenance charges. On July 20, 2004, a second amendment to the agreement was approved. This amendment provides for the lease of excess capacity in the plant to a district desiring to lease capacity. Such desire to lease excess capacity requires written notification to the contract participants. The contract provides for the lease of 200,000 gpd for \$5,000 per month for an 18-month period. Certain costs are to be based on each participant's pro rata share of ownership in the facility, while the remaining operating and maintenance costs are allocated based on each participant's total wastewater flow per billing period as a pro rata share of the total wastewater flow of the plant for that period. During the current fiscal year, the District recorded \$221,157 as its share of the operating costs of the wastewater treatment plant. The District maintained an operating reserve of \$9,271. As of September 30, 2019, the District has provided capital project advances totaling \$247,029 for the sludge belt/press rehabilitation project. As of September 30, 2019, the District recorded a capital project advance balance of \$80,266.

On October 16, 2001, the Northgate Country Club, L.L.C. (the "Country Club") and the participants in the plant entered into a five-year agreement under the terms of which the Country Club would purchase the treated water effluent discharged from the Plant for use on the Country Club's golf course. On January 15, 2004, the agreement was amended to change the term to 15 years from the date the participants' engineer certified that this system was substantially complete, with the right to renew for up to three successive five-year terms. On January 11, 2012, the agreement was amended to change the term to 30 years from January 1, 2007, with the right to renew for up to four successive five-year terms. Commencing January 1, 2057, if the agreement is then still in effect, it will automatically renew for successive ten-year terms unless the Country Club or District No. 20 provides advance written notice of its selection not to extend the terms of the agreement not less than three years prior to the expiration of the current term. The agreement may be terminated by any party upon 90 days written notice to the other parties in the event that the Country Club ceases operations of the golf course as a 27-hole facility for a period of 12 consecutive months. During the initial 30-year term, the Country Club will pay the greater of \$0.10 per 1,000 gallons of effluent received, or an amount equal to any fees that the participants are required to pay to the North Harris County Regional Water Authority.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 8. CONTRACTS WITH OTHER DISTRICTS (Continued)**

Wastewater Treatment Contract (Continued)

The Participating Districts and their respective pro rata share of capacity are:

| District  | Capacity<br>Gallons-per-day | Percentage            |
|---|-----------------------------|-----------------------|
| Northwest Harris County Municipal Utility District No. 20 | 450,000                     | 30.00%                |
| Harris County Municipal Utility District No. 16           | 700,000                     | 46.66%                |
| Harris County Municipal Utility District No. 211          | 59,400                      | 3.96%                 |
| Harris County Municipal Utility District No. 233          | <u>290,600</u>              | <u>19.38%</u>         |
| <b>TOTAL</b>  | <u><u>1,500,000</u></u>     | <u><u>100.00%</u></u> |

Separate audited financial reports issued on the wastewater treatment plant can be obtained by contacting the Plant's Attorney. The following summary financial data of the wastewater treatment plant is presented for the fiscal year ending September 30, 2019.

|  |                         |
|--|-------------------------|
|  | <u>Joint Venture</u>    |
| Total Assets                             | \$ 129,997              |
| Total Liabilities                        | <u>102,180</u>          |
| Fund Balance                             | <u><u>\$ 27,817</u></u> |
| <br>                                     |                         |
| Total Revenues                           | \$ 843,087              |
| Total Expenses                           | <u>843,087</u>          |
| Net Change in Fund Balance               | \$ - 0 -                |
| Beginning Fund Balance - October 1, 2018 | <u>27,817</u>           |
| Ending Fund Balance - September 30, 2019 | <u><u>\$ 27,817</u></u> |

On April 9, 2013, the District, District No. 20, Harris County Municipal Utility District No. 211, Harris County Municipal Utility District No. 233 (the "Participating Districts") and the Country Club entered into a Water Conservation Reuse Incentive Agreement with the North Harris County Regional Water Authority (the "Authority"). The Participating Districts spent \$270,637 to construct the Northgate Reuse System whereby effluent from the wastewater treatment plant is reclaimed for the purpose of irrigating the Country Club's golf course. The District's share of construction costs totaled \$126,279.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 8.      CONTRACTS WITH OTHER DISTRICTS (Continued)**

Emergency Water Supply Contracts

On February 21, 1984, the District entered into an emergency water supply contract with Bammel Utility District (“Bammel”). The interconnect facilities were constructed and paid for by Bammel and are now owned, operated and maintained by Bammel. The price to be paid for water furnished under the agreement can be either the resupply of water in the identical quantity or a rate of \$0.40 per 1,000 gallons of water used. On May 9, 1994, the agreement was amended to extend the term of the agreement to 20 years. The contract renews annually from year to year thereafter until terminated upon 60 days written notice by either party to the other party.

On November 20, 1984, the District entered into an emergency water supply contract with Northwest Harris County Municipal Utility District No. 21 (“District No. 21”). The interconnect facilities for each district are constructed, owned, operated and maintained by each respective district. The price for water furnished under the agreement is \$300 for each 24-hour period or portion thereof of emergency water service to either district. The term of the contract is 40 years.

On June 15, 1993, the District entered into an emergency water supply contract with Harris County Municipal Utility District No. 44 (“District No. 44”). The interconnect facilities for each districted are owned, operated and maintained by each respective district. The price for water furnished under the agreement will be \$0.75 per 1,000 gallons of water used. On June 17, 2003, the agreement was amended to extend the term of the agreement and included charging the receiving district the assessment imposed by the Authority.

Interim and Emergency Water Supply Contract – Northwest Harris County Municipal Utility District No. 21 and Northwest Harris County Municipal Utility District No. 22

On June 20, 2006, the District entered into an interim and emergency water supply contract with Northwest Harris County Municipal Utility District No. 21 and Northwest Harris County Municipal Utility District No. 22 (“District No. 21/District No. 22”). The interconnect facilities located in each district are constructed, owned, operated and maintained by each respective district. The terms of the interim portion of the contract have expired.

During an emergency, the price to be paid for water shall be \$1.00 per 1,000 gallons plus the cost of any assessments imposed on the use of water to the supplying district by the various regulatory authorities including but not limited to the Authority. The districts agree to review the price for water on or about every fifth anniversary of this contract. The term of the emergency portion of this contract is 40 years, through June 20, 2046.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 9. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**

The District is located within the boundaries of the Authority. The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the “Act”), as passed by the 75<sup>th</sup> Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority is overseeing that its participants comply with the Harris-Galveston Subsidence District pumpage requirements. The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current fee charged is \$3.85 per 1,000 gallons of water pumped from each well. The District also purchases water from the Authority. The current rate is \$4.30 per 1,000 gallons of water purchased. The District recorded expenditures of \$596,409 for pumpage fees and water purchased from the Authority during the current fiscal year.

Capital Contribution Contracts

On July 7, 2003, the District entered into a Capital Contribution Contract with the Authority and on October 6, 2003 approved the First Amendment to the Capital Contribution Contract. On November 14, 2003, the District paid \$1,136,627 to the Authority for the District’s share of the construction of Phase I of the 2010 Surface Water Distribution and Transmission System. The District is receiving capital contribution credits to be applied to the quarterly pumpage fees which the Authority assesses, applied to any water purchased by the District from the Authority, or to be paid to the District in cash. The Authority calculated the credit by amortizing the Capital Contribution over the life of the Authority’s bonds issued for this project. Interest accrues on the District’s Capital Contribution at 5.0575% per annum. The District began receiving the capital contribution credits on the 4th quarter 2003 Authority billing.

On March 7, 2005, the District entered into another Capital Contribution Contract with the Authority. On July 31, 2005, the District paid \$722,370 to the Authority for the District’s share of additional Project Costs. Interest accrues on the District’s Capital Contribution at 4.8088% per annum. The District began receiving capital contribution credits on the 3rd quarter 2005 Authority billing.

Originally, the District made capital contributions to the Authority of \$1,858,997, as detailed above. Total credits received in the current fiscal year were \$132,099. Of this amount, \$60,949 was a return of principal with the balance being applicable to interest. Therefore, the capital contribution balance is \$1,373,900 at fiscal year-end.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 9. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**  
(Continued)

Capital Contribution Contracts (Continued)

The following is a schedule of the remaining capital contribution credits (principal only) to be received under the terms of the agreement.

| Fiscal Year | Principal    |
|-------------|--------------|
| 2020        | \$ 63,973    |
| 2021        | 67,150       |
| 2022        | 70,486       |
| 2023        | 73,988       |
| 2024        | 77,663       |
| 2025-2029   | 450,176      |
| 2030-2034   | 512,000      |
| 2035-2036   | 58,464       |
|             | \$ 1,373,900 |

Chloramine Conversion Reimbursement

The Authority required the District to convert its water system to chloramine disinfection for as long as it is connected to the Authority's system. The District's cost of this conversion was \$265,044. The Authority calculated the reimbursement at 6% interest over a 30-year period. The District began receiving chloramine conversion credits on the June 2010, Authority billing. Total credits received in the current fiscal year were \$19,255. Of this amount, \$5,451 was a return of principal with the balance being applicable to interest. Therefore, chloramine conversion credit balance is \$224,628 at fiscal year-end. The following is a schedule of the remaining chloramine conversion credits to be received under the terms of the agreement.

| Fiscal Year | Principal  |
|-------------|------------|
| 2020        | \$ 5,778   |
| 2021        | 6,124      |
| 2022        | 6,492      |
| 2023        | 6,880      |
| 2024        | 7,293      |
| 2025-2029   | 43,581     |
| 2030-2034   | 58,324     |
| 2035-2039   | 78,008     |
| 2040        | 12,148     |
|             | \$ 224,628 |



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**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.

**NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT**

Effective June 8, 2015, the District entered into a Strategic Partnership Agreement (the “SPA”) with the City of Houston (the “City”) as authorized by Texas Local Government Code Section 43.0751. During the 20 year term of the SPA (i) the commercial portion of the District is annexed by the City for limited purposes of extending the City sales tax, (ii) 50% of the City sales tax revenues generated within the area made subject to the SPA will be distributed to the District (iii) the City has agreed to not annex the District for full purposes without the District’s consent, and (iv) the area made subject to the SPA will continue to receive water and wastewater treatment service from the District and will remain subject to District taxing authority. Pursuant to State law, the District is authorized to use the SPA Sales Tax Revenues for any lawful purpose. None of the anticipated SPA sales tax revenues are pledged toward the payment of principal and interest on District bonds.

**NOTE 12. BOND ISSUE**

On December 12, 2018, the District issued its \$2,825,000 Unlimited Tax Bonds Series 2018. Proceeds of the bonds are being used for construction and engineering costs of Lift Station Nos. 1 and 2 improvements; sanitary sewer cleaning and televising; sanitary sewer rehabilitation and water plant no. 1 motor control center replacement. Bond proceeds also funded capitalized interest and paid bond issuance costs.

**THIS PAGE INTENTIONALLY LEFT BLANK**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2019**



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

|  | Original and<br>Final Budget | Actual              | Variance<br>Positive<br>(Negative) |
|--|------------------------------|---------------------|------------------------------------|
| <b>REVENUES</b>  |                              |                     |                                    |
| Property Taxes   | \$ 154,000                   | \$ 170,748          | \$ 16,748                          |
| Water Service  | 482,000                      | 448,493             | (33,507)                           |
| Wastewater Service   | 336,000                      | 329,847             | (6,153)                            |
| Water Authority Fees   | 410,000                      | 470,283             | 60,283                             |
| Investment and Miscellaneous Revenues                        | 43,600                       | 52,932              | 9,332                              |
| <b>TOTAL REVENUES</b>  | <b>\$ 1,425,600</b>          | <b>\$ 1,472,303</b> | <b>\$ 46,703</b>                   |
| <b>EXPENDITURES</b>  |                              |                     |                                    |
| Services Operations:   |                              |                     |                                    |
| Professional Fees  | \$ 235,800                   | \$ 358,898          | \$ (123,098)                       |
| Contracted Services  | 201,440                      | 213,265             | (11,825)                           |
| Purchased Water Service/Pumpage Fees*                        | 410,000                      | 445,055             | (35,055)                           |
| Purchased Wastewater Service                                 | 181,586                      | 221,157             | (39,571)                           |
| Utilities  | 38,000                       | 40,179              | (2,179)                            |
| Repairs and Maintenance                                      | 100,000                      | 128,608             | (28,608)                           |
| Other  | 104,100                      | 104,714             | (614)                              |
| Capital Outlay   |                              | 121,471             | (121,471)                          |
| <b>TOTAL EXPENDITURES</b>                                    | <b>\$ 1,270,926</b>          | <b>\$ 1,633,347</b> | <b>\$ (362,421)</b>                |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>\$ 154,674</b>            | <b>\$ (161,044)</b> | <b>\$ (315,718)</b>                |
| <b>OTHER FINANCING SOURCES(USES)</b>                         |                              |                     |                                    |
| Transfers In   | \$ -0-                       | \$ 68,167           | \$ 68,167                          |
| <b>NET CHANGE IN FUND BALANCE</b>                            | \$ 154,674                   | \$ (92,877)         | \$ (247,551)                       |
| <b>FUND BALANCE - OCTOBER 1, 2018</b>                        | 1,320,950                    | 1,320,950           |                                    |
| <b>FUND BALANCE - SEPTEMBER 30, 2019</b>                     | <b>\$ 1,475,624</b>          | <b>\$ 1,228,073</b> | <b>\$ (247,551)</b>                |

\* Net of Water Authority credits received in current year.

See accompanying independent auditor's report.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**SUPPLEMENTARY INFORMATION REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**  
**SEPTEMBER 30, 2019**





**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

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

**2. RETAIL SERVICE PROVIDERS**

**a. RETAIL RATES FOR A 1” METER (OR EQUIVALENT):**

Based on the rate order effective August 13, 2019.

|                      | Minimum Charge | Minimum Usage                    | Flat Rate Y/N | Rate per 1,000 Gallons over Minimum Use | Usage Levels                         |
|----------------------|----------------|----------------------------------|---------------|---|--------------------------------------|
| WATER:               | \$ 11.00       | 1,000                            | N             | \$ 1.65<br>\$ 2.48                      | 2,000 to 15,000<br>15,001 and over   |
| WASTEWATER:          |                |                                  | N             | \$ 1.65                                 | Per 1,000 gallons of water purchased |
| SURCHARGE:           |                |                                  |               |   |                                      |
| Water Authority Fees | \$ 3.60        | per 1,000 gallons of water usage |               |   |                                      |

District employs winter averaging for wastewater usage? 

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

Total charges per 10,000 gallons usage: Water: \$25.85 Wastewater: \$16.50 Surcharge: \$36.00 Total: \$78.35

See accompanying independent auditor’s report

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

| <u>Meter Size</u>               | <u>Total<br/>Connections</u> | <u>Active<br/>Connections</u> | <u>ESFC<br/>Factor</u> | <u>Active<br/>ESFCs</u> |
|---------------------------------|------------------------------|-------------------------------|------------------------|-------------------------|
| Unmetered                       |                              |                               | x 1.0                  |                         |
| ≤ <sup>3</sup> / <sub>4</sub> " | <u>306</u>                   | <u>306</u>                    | x 1.0                  | <u>306</u>              |
| 1"                              | <u>25</u>                    | <u>25</u>                     | x 2.5                  | <u>63</u>               |
| 1½"                             | <u>14</u>                    | <u>14</u>                     | x 5.0                  | <u>70</u>               |
| 2"                              | <u>30</u>                    | <u>30</u>                     | x 8.0                  | <u>240</u>              |
| 3"                              | <u>11</u>                    | <u>11</u>                     | x 15.0                 | <u>165</u>              |
| 4"                              | <u>9</u>                     | <u>9</u>                      | x 25.0                 | <u>225</u>              |
| 6"                              |                              |                               | x 50.0                 |                         |
| 8"                              |                              |                               | x 80.0                 |                         |
| 10"                             |                              |                               | x 115.0                |                         |
| Total Water Connections         | <u><u>395</u></u>            | <u><u>395</u></u>             |                        | <u><u>1,069</u></u>     |
| Total Wastewater Connections    | <u><u>359</u></u>            | <u><u>359</u></u>             | x 1.0                  | <u><u>359</u></u>       |

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

|                              |             |  |
|------------------------------|-------------|--|
| Gallons billed to customers: | 145,609,000 | Water Accountability Ratio: 99.5%<br>(Gallons billed/Gallons pumped and purchased) |
| Gallons pumped:              | 161,000     |  |
| Gallons purchased:           | 146,132,000 | From: North Harris County Regional<br>Water Authority                              |

See accompanying independent auditor's report



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

|  |                     |
|--|---------------------|
| PROFESSIONAL FEES:                     |                     |
| Auditing                               | \$ 16,250           |
| Engineering                            | 107,000             |
| Legal                                  | <u>235,648</u>      |
| TOTAL PROFESSIONAL FEES                | <u>\$ 358,898</u>   |
| <br>                                   |                     |
| PURCHASED SERVICES FOR RESALE:         |                     |
| Purchased Water Service                | \$ 596,409          |
| Purchased Wastewater Service           | <u>221,157</u>      |
| TOTAL PURCHASED SERVICES FOR RESALE    | <u>\$ 817,566</u>   |
| <br>                                   |                     |
| CONTRACTED SERVICES:                   |                     |
| Bookkeeping                            | \$ 17,433           |
| General Manager                        | 115,440             |
| Operations and Billing                 | <u>80,392</u>       |
| TOTAL CONTRACTED SERVICES              | <u>\$ 213,265</u>   |
| <br>                                   |                     |
| UTILITIES                              | <u>\$ 40,179</u>    |
| <br>                                   |                     |
| REPAIRS AND MAINTENANCE                | <u>\$ 128,608</u>   |
| <br>                                   |                     |
| ADMINISTRATIVE EXPENDITURES:           |                     |
| Director Fees, Including Payroll Taxes | \$ 19,294           |
| Insurance                              | 18,191              |
| Office Supplies and Postage            | 15,301              |
| Travel and Meetings                    | 3,749               |
| Other                                  | <u>1,684</u>        |
| TOTAL ADMINISTRATIVE EXPENDITURES      | <u>\$ 58,219</u>    |
| <br>                                   |                     |
| CAPITAL OUTLAY                         | <u>\$ 121,471</u>   |
| <br>                                   |                     |
| OTHER EXPENDITURES:                    |                     |
| Laboratory Fees                        | \$ 6,142            |
| Permit Fees                            | 4,934               |
| Inspection Fees                        | 9,115               |
| Regulatory Assessment                  | 3,778               |
| Sludge Hauling                         | 14,826              |
| Green Medians                          | <u>7,700</u>        |
| TOTAL OTHER EXPENDITURES               | <u>\$ 46,495</u>    |
| <br>                                   |                     |
| TOTAL EXPENDITURES                     | <u>\$ 1,784,701</u> |

See accompanying independent auditor's report

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16  
INVESTMENTS  
SEPTEMBER 30, 2019**

| <u>Funds</u>                 | <u>Identification or<br/>Certificate Number</u> | <u>Interest<br/>Rate</u> | <u>Maturity<br/>Date</u> | <u>Balance at<br/>End of Year</u> | <u>Accrued<br/>Interest<br/>Receivable at<br/>End of Year</u> |
|------------------------------|---|--------------------------|--------------------------|-----------------------------------|---|
| <u>GENERAL FUND</u>          |   |                          |                          |                                   |   |
| TexPool                      | XXXX0001  | Varies                   | Daily                    | \$ 655,532                        | \$  |
| Certificate of Deposit       | XXXX3174  | 2.40%                    | 01/02/20                 | 240,000                           | 1,389   |
| Certificate of Deposit       | XXXX1726  | 2.05%                    | 03/09/20                 | 245,466                           | 289   |
| TOTAL GENERAL FUND           |   |                          |                          | <u>\$ 1,140,998</u>               | <u>\$ 1,678</u>   |
| <u>DEBT SERVICE FUND</u>     |   |                          |                          |                                   |   |
| TexPool                      | XXXX0003  | Varies                   | Daily                    | <u>\$ 917,663</u>                 | <u>\$ -0-</u>   |
| <u>CAPITAL PROJECTS FUND</u> |   |                          |                          |                                   |   |
| TexPool                      | XXXX0005  | Varies                   | Daily                    | <u>\$ 5,984,184</u>               | <u>\$ -0-</u>   |
| TOTAL - ALL FUNDS            |   |                          |                          | <u>\$ 8,042,845</u>               | <u>\$ 1,678</u>   |

See accompanying independent auditor's report

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

|                             | Maintenance Taxes |                 | Debt Service Taxes |                           |
|-----------------------------|-------------------|-----------------|--------------------|---------------------------|
| TAXES RECEIVABLE -          |                   |                 |                    |                           |
| OCTOBER 1, 2018             | \$                | 4,650           |                    | \$ 30,417                 |
| Adjustments to Beginning    |                   |                 |                    |                           |
| Balance                     |                   | <u>(2,171)</u>  | \$ 2,479           | <u>(16,588)</u> \$ 13,829 |
| Original 2018 Tax Levy      | \$                | 162,791         |                    | \$ 797,677                |
| Adjustment to 2018 Tax Levy |                   | <u>9,594</u>    | <u>172,385</u>     | <u>47,011</u> 844,688     |
| TOTAL TO BE                 |                   |                 |                    |                           |
| ACCOUNTED FOR               |                   | \$ 174,864      |                    | \$ 858,517                |
| TAX COLLECTIONS:            |                   |                 |                    |                           |
| Prior Years                 | \$                | 617             |                    | \$ 3,533                  |
| Current Year                |                   | <u>170,131</u>  | <u>170,748</u>     | <u>833,642</u> 837,175    |
| TAXES RECEIVABLE -          |                   |                 |                    |                           |
| SEPTEMBER 30, 2019          |                   | <u>\$ 4,116</u> |                    | <u>\$ 21,342</u>          |
| TAXES RECEIVABLE BY         |                   |                 |                    |                           |
| YEAR:                       |                   |                 |                    |                           |
| 2018                        |                   | \$ 2,254        |                    | \$ 11,046                 |
| 2017                        |                   | 622             |                    | 3,046                     |
| 2016                        |                   | 667             |                    | 3,803                     |
| 2015                        |                   | 545             |                    | 3,216                     |
| 2014                        |                   | 13              |                    | 64                        |
| 2013                        |                   | 8               |                    | 91                        |
| 2012                        |                   | <u>7</u>        |                    | <u>76</u>                 |
| TOTAL                       |                   | <u>\$ 4,116</u> |                    | <u>\$ 21,342</u>          |

See accompanying independent auditor's report

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

|  | 2018                  | 2017                  | 2016                  | 2015                  |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>PROPERTY VALUATIONS:</b>                          |                       |                       |                       |                       |
| Land   | \$ 57,396,580         | \$ 55,736,952         | \$ 55,936,941         | \$ 54,205,577         |
| Improvements   | 146,262,993           | 134,310,585           | 130,255,475           | 119,423,760           |
| Personal Property                                    | 17,177,214            | 18,399,437            | 16,190,904            | 16,646,795            |
| Exemptions   | (48,451,608)          | (46,557,826)          | (53,265,689)          | (52,741,728)          |
| <b>TOTAL PROPERTY VALUATIONS</b>                     | <b>\$ 172,385,179</b> | <b>\$ 161,889,148</b> | <b>\$ 149,117,631</b> | <b>\$ 137,534,404</b> |
| <b>TAX RATES PER \$100 VALUATION:</b>                |                       |                       |                       |                       |
| Debt Service   | \$ 0.49               | \$ 0.49               | \$ 0.57               | \$ 0.59               |
| Maintenance  | 0.10                  | 0.10                  | 0.10                  | 0.10                  |
| <b>TOTAL TAX RATES PER \$100 VALUATION</b>           | <b>\$ 0.59</b>        | <b>\$ 0.59</b>        | <b>\$ 0.67</b>        | <b>\$ 0.69</b>        |
| <b>ADJUSTED TAX LEVY*</b>                            | <b>\$ 1,017,073</b>   | <b>\$ 957,866</b>     | <b>\$ 999,090</b>     | <b>\$ 948,988</b>     |
| <b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b> | <b>98.69 %</b>        | <b>99.62 %</b>        | <b>99.55 %</b>        | <b>99.60 %</b>        |

\* Based upon adjusted tax 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 was approved by voters on January 20, 1979.

See accompanying independent auditor's report

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2019**

REFUNDING SERIES - 2014

| <u>Due During Fiscal<br/>Years Ending<br/>September 30</u> | <u>Principal<br/>Due<br/>March 1</u> | <u>Interest Due<br/>March 1/<br/>September 1</u> | <u>Total</u>        |
|--|--------------------------------------|--|---------------------|
| 2020   | \$ 590,000                           | \$ 83,062  | \$ 673,062          |
| 2021   | 605,000                              | 68,842   | 673,842             |
| 2022   | 625,000                              | 54,204   | 679,204             |
| 2023   | 635,000                              | 39,211   | 674,211             |
| 2024   | 655,000                              | 23,859   | 678,859             |
| 2025   | 675,000                              | 8,032  | 683,032             |
| 2026   |                                      |  |                     |
| 2027   |                                      |  |                     |
| 2028   |                                      |  |                     |
| 2029   |                                      |  |                     |
| 2030   |                                      |  |                     |
| 2031   |                                      |  |                     |
| 2032   |                                      |  |                     |
| 2033   |                                      |  |                     |
| 2034   |                                      |  |                     |
| 2035   |                                      |  |                     |
| 2036   |                                      |  |                     |
| 2037   |                                      |  |                     |
| 2038   |                                      |  |                     |
| 2039   |                                      |  |                     |
|  | <u>\$ 3,785,000</u>                  | <u>\$ 277,210</u>                                | <u>\$ 4,062,210</u> |

See accompanying independent auditor's report



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2019**

| S E R I E S - 2 0 1 5                             |                             |   |              |
|---|-----------------------------|---|--------------|
| Due During Fiscal<br>Years Ending<br>September 30 | Principal<br>Due<br>March 1 | Interest Due<br>March 1/<br>September 1 | Total        |
| 2020  | \$                          | \$ 162,075                              | \$ 162,075   |
| 2021  |                             | 162,075                                 | 162,075      |
| 2022  |                             | 162,075                                 | 162,075      |
| 2023  |                             | 162,075                                 | 162,075      |
| 2024  |                             | 162,075                                 | 162,075      |
| 2025  |                             | 162,075                                 | 162,075      |
| 2026  | 500,000                     | 154,575                                 | 654,575      |
| 2027  | 500,000                     | 139,575                                 | 639,575      |
| 2028  | 500,000                     | 124,575                                 | 624,575      |
| 2029  | 500,000                     | 109,262                                 | 609,262      |
| 2030  | 500,000                     | 93,638                                  | 593,638      |
| 2031  | 500,000                     | 78,013                                  | 578,013      |
| 2032  | 520,000                     | 61,750                                  | 581,750      |
| 2033  | 520,000                     | 44,525                                  | 564,525      |
| 2034  | 520,000                     | 26,975                                  | 546,975      |
| 2035  | 520,000                     | 9,100                                   | 529,100      |
| 2036  |                             |   |              |
| 2037  |                             |   |              |
| 2038  |                             |   |              |
| 2039  |                             |   |              |
|   | \$ 5,080,000                | \$ 1,814,438                            | \$ 6,894,438 |

See accompanying independent auditor's report

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2019**

| S E R I E S - 2 0 1 8                             |                                 |   |              |
|---|---------------------------------|---|--------------|
| Due During Fiscal<br>Years Ending<br>September 30 | Principal<br>Due<br>September 1 | Interest Due<br>March 1/<br>September 1 | Total        |
| 2020  | \$                              | \$ 113,000                              | \$ 113,000   |
| 2021  |                                 | 113,000                                 | 113,000      |
| 2022  |                                 | 113,000                                 | 113,000      |
| 2023  |                                 | 113,000                                 | 113,000      |
| 2024  |                                 | 113,000                                 | 113,000      |
| 2025  |                                 | 113,000                                 | 113,000      |
| 2026  | 100,000                         | 111,000                                 | 211,000      |
| 2027  | 110,000                         | 106,800                                 | 216,800      |
| 2028  | 120,000                         | 102,200                                 | 222,200      |
| 2029  | 130,000                         | 97,200                                  | 227,200      |
| 2030  | 140,000                         | 91,800                                  | 231,800      |
| 2031  | 150,000                         | 86,000                                  | 236,000      |
| 2032  | 160,000                         | 79,800                                  | 239,800      |
| 2033  | 170,000                         | 73,200                                  | 243,200      |
| 2034  | 185,000                         | 66,100                                  | 251,100      |
| 2035  | 200,000                         | 58,400                                  | 258,400      |
| 2036  | 325,000                         | 47,900                                  | 372,900      |
| 2037  | 335,000                         | 34,700                                  | 369,700      |
| 2038  | 345,000                         | 21,100                                  | 366,100      |
| 2039  | 355,000                         | 7,100                                   | 362,100      |
|   | \$ 2,825,000                    | \$ 1,661,300                            | \$ 4,486,300 |

See accompanying independent auditor's report

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2019**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

| Due During Fiscal<br>Years Ending<br>September 30 | Total<br>Principal Due | Total<br>Interest Due | Total<br>Principal and<br>Interest Due |
|---|------------------------|-----------------------|--|
| 2020  | \$ 590,000             | \$ 358,137            | \$ 948,137                             |
| 2021  | 605,000                | 343,917               | 948,917                                |
| 2022  | 625,000                | 329,279               | 954,279                                |
| 2023  | 635,000                | 314,286               | 949,286                                |
| 2024  | 655,000                | 298,934               | 953,934                                |
| 2025  | 675,000                | 283,107               | 958,107                                |
| 2026  | 600,000                | 265,575               | 865,575                                |
| 2027  | 610,000                | 246,375               | 856,375                                |
| 2028  | 620,000                | 226,775               | 846,775                                |
| 2029  | 630,000                | 206,462               | 836,462                                |
| 2030  | 640,000                | 185,438               | 825,438                                |
| 2031  | 650,000                | 164,013               | 814,013                                |
| 2032  | 680,000                | 141,550               | 821,550                                |
| 2033  | 690,000                | 117,725               | 807,725                                |
| 2034  | 705,000                | 93,075                | 798,075                                |
| 2035  | 720,000                | 67,500                | 787,500                                |
| 2036  | 325,000                | 47,900                | 372,900                                |
| 2037  | 335,000                | 34,700                | 369,700                                |
| 2038  | 345,000                | 21,100                | 366,100                                |
| 2039  | 355,000                | 7,100                 | 362,100                                |
|   | <u>\$ 11,690,000</u>   | <u>\$ 3,752,948</u>   | <u>\$ 15,442,948</u>                   |

See accompanying independent auditor's report

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16  
CHANGES IN LONG-TERM BOND DEBT  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

| Description   | Original<br>Bonds Issued | Bonds<br>Outstanding<br>October 1, 2018 |
|---|--------------------------|---|
| Harris County Municipal Utility District No. 16<br>Unlimited Tax Refunding Bonds - Series 2014  | \$ 6,075,000             | \$ 4,360,000                            |
| Harris County Municipal Utility District No. 16<br>Unlimited Tax Bonds - Series 2015            | 5,080,000                | 5,080,000                               |
| Harris County Municipal Utility District No. 16<br>Unlimited Tax Bonds - Series 2018            | <u>2,825,000</u>         | <u>                    </u>             |
| TOTAL   | <u>\$ 13,980,000</u>     | <u>\$ 9,440,000</u>                     |
| <br>Bond Authority:   | <u>Tax Bonds</u>         | <u>Refunding Bonds</u>                  |
| Amount Authorized by Voters   | \$ 27,250,000            | \$ 15,000,000                           |
| Amount Issued   | <u>25,155,000</u>        | <u>8,650,000</u>                        |
| Remaining to be Issued  | <u>\$ 2,095,000</u>      | <u>\$ 6,350,000</u>                     |
| <br>Debt Service Fund cash and investment balances as of September 30, 2019:                    |                          | <u>\$ 978,760</u>                       |
| Average annual debt service payment (principal and interest) for remaining term<br>of all debt: |                          | <u>\$ 772,147</u>                       |

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

See accompanying independent auditor's report

| <u>Current Year Transactions</u> |                    |                   |   |  |
|----------------------------------|--------------------|-------------------|---|--|
| <u>Bonds Sold</u>                | <u>Retirements</u> |                   | <u>Bonds Outstanding<br/>September 30, 2019</u> | <u>Paying Agent</u>  |
|                                  | <u>Principal</u>   | <u>Interest</u>   |   |  |
| \$                               | \$ 575,000         | \$ 96,926         | \$ 3,785,000                                    | BB&T Governmental Finance<br>Charlotte, NC                       |
|                                  |                    | 162,075           | 5,080,000                                       | The Bank of New York<br>Mellon Trust Company, N.A.<br>Dallas, TX |
| <u>2,825,000</u>                 |                    | <u>81,297</u>     | <u>2,825,000</u>                                | The Bank of New York<br>Mellon Trust Company, N.A.<br>Dallas, TX |
| <u>\$ 2,825,000</u>              | <u>\$ 575,000</u>  | <u>\$ 340,298</u> | <u>\$ 11,690,000</u>                            |  |

See accompanying independent auditor's report

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND – FIVE YEARS**

|  | Amounts             |                     |                     |
|--|---------------------|---------------------|---------------------|
|  | 2019                | 2018                | 2017                |
| <b>REVENUES</b>  |                     |                     |                     |
| Property Taxes   | \$ 170,748          | \$ 161,198          | \$ 147,675          |
| Water Service  | 448,493             | 471,554             | 444,415             |
| Wastewater Service   | 329,847             | 336,231             | 317,064             |
| Water Authority Fees   | 470,283             | 423,605             | 344,871             |
| Water Authority Credits                                      | 151,354             | 151,354             | 151,354             |
| Penalty and Interest   | 12,425              | 12,721              | 11,538              |
| Investment and Miscellaneous Revenues                        | 40,507              | 60,581              | 25,057              |
| <b>TOTAL REVENUES</b>  | <b>\$ 1,623,657</b> | <b>\$ 1,617,244</b> | <b>\$ 1,441,974</b> |
| <b>EXPENDITURES</b>  |                     |                     |                     |
| Professional Fees  | \$ 358,898          | \$ 324,847          | \$ 249,989          |
| Contracted Services  | 213,265             | 209,938             | 202,657             |
| Purchased Water Service/Pumpage Fees                         | 596,409             | 566,807             | 494,154             |
| Purchased Wastewater Service                                 | 221,157             | 215,142             | 199,139             |
| Utilities  | 40,179              | 37,289              | 30,306              |
| Repairs and Maintenance                                      | 128,608             | 124,119             | 87,724              |
| Other  | 104,714             | 163,845             | 91,937              |
| Capital Outlay   | 121,471             | 41,989              | 18,045              |
| <b>TOTAL EXPENDITURES</b>                                    | <b>\$ 1,784,701</b> | <b>\$ 1,683,976</b> | <b>\$ 1,373,951</b> |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>\$ (161,044)</b> | <b>\$ (66,732)</b>  | <b>\$ 68,023</b>    |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                     |                     |
| Transfers In (Out)   | \$ 68,167           | \$ - 0 -            | \$ - 0 -            |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>\$ (92,877)</b>  | <b>\$ (66,732)</b>  | <b>\$ 68,023</b>    |
| <b>BEGINNING FUND BALANCE</b>                                | <b>1,320,950</b>    | <b>1,387,682</b>    | <b>1,319,659</b>    |
| <b>ENDING FUND BALANCE</b>                                   | <b>\$ 1,228,073</b> | <b>\$ 1,320,950</b> | <b>\$ 1,387,682</b> |

See accompanying independent auditor's report

|                     |                     | Percentage of Total Revenues |                |                |                |                 |  |  |
|---------------------|---------------------|------------------------------|----------------|----------------|----------------|-----------------|--|--|
| 2016                | 2015                | 2019                         | 2018           | 2017           | 2016           | 2015            |  |  |
| \$ 139,103          | \$ 140,483          | 10.5 %                       | 10.0 %         | 10.2 %         | 9.7 %          | 12.5 %          |  |  |
| 420,741             | 344,352             | 27.6                         | 29.2           | 30.9           | 29.5           | 30.7            |  |  |
| 305,398             | 249,869             | 20.3                         | 20.8           | 22.0           | 21.4           | 22.2            |  |  |
| 284,654             | 194,308             | 29.0                         | 26.2           | 23.9           | 19.9           | 17.3            |  |  |
| 151,354             | 151,354             | 9.3                          | 9.3            | 10.5           | 10.6           | 13.5            |  |  |
| 6,283               | 8,278               | 0.8                          | 0.8            | 0.8            | 0.4            | 0.7             |  |  |
| 121,458             | 34,756              | 2.5                          | 3.7            | 1.7            | 8.5            | 3.1             |  |  |
| <u>\$ 1,428,991</u> | <u>\$ 1,123,400</u> | <u>100.0 %</u>               | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u>  |  |  |
| \$ 268,474          | \$ 255,701          | 22.1 %                       | 20.1 %         | 17.3 %         | 18.8 %         | 22.8 %          |  |  |
| 200,751             | 200,670             | 13.1                         | 13.0           | 14.1           | 14.0           | 17.9            |  |  |
| 433,382             | 358,701             | 36.7                         | 35.0           | 34.3           | 30.3           | 31.9            |  |  |
| 170,999             | 191,027             | 13.6                         | 13.3           | 13.8           | 12.0           | 17.0            |  |  |
| 39,820              | 36,651              | 2.5                          | 2.3            | 2.1            | 2.8            | 3.3             |  |  |
| 109,340             | 96,456              | 7.9                          | 7.7            | 6.1            | 7.7            | 8.6             |  |  |
| 121,421             | 109,971             | 6.5                          | 10.1           | 6.4            | 8.5            | 9.8             |  |  |
| 9,745               | 11,563              | 7.5                          | 2.6            | 1.3            | 0.7            | 1.0             |  |  |
| <u>\$ 1,353,932</u> | <u>\$ 1,260,740</u> | <u>109.9 %</u>               | <u>104.1 %</u> | <u>95.4 %</u>  | <u>94.8 %</u>  | <u>112.3 %</u>  |  |  |
| <u>\$ 75,059</u>    | <u>\$ (137,340)</u> | <u>(9.9) %</u>               | <u>(4.1) %</u> | <u>4.6 %</u>   | <u>5.2 %</u>   | <u>(12.3) %</u> |  |  |
| <u>\$ 123,753</u>   | <u>\$ - 0 -</u>     |                              |                |                |                |                 |  |  |
| \$ 198,812          | \$ (137,340)        |                              |                |                |                |                 |  |  |
| <u>1,120,847</u>    | <u>1,258,187</u>    |                              |                |                |                |                 |  |  |
| <u>\$ 1,319,659</u> | <u>\$ 1,120,847</u> |                              |                |                |                |                 |  |  |

See accompanying independent auditor's report

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

|  | Amounts            |                    |                    |
|--|--------------------|--------------------|--------------------|
|  | 2019               | 2018               | 2017               |
| <b>REVENUES</b>  |                    |                    |                    |
| Property Taxes   | \$ 837,175         | \$ 790,769         | \$ 841,085         |
| Penalty and Interest   | 14,455             | 13,463             | 12,959             |
| Investment and Miscellaneous Revenues                        | <u>30,650</u>      | <u>23,707</u>      | <u>14,081</u>      |
| <b>TOTAL REVENUES</b>  | <u>\$ 882,280</u>  | <u>\$ 827,939</u>  | <u>\$ 868,125</u>  |
| <b>EXPENDITURES</b>  |                    |                    |                    |
| Tax Collection Expenditures                                  | \$ 47,301          | \$ 37,234          | \$ 54,624          |
| Debt Service Principal                                       | 575,000            | 555,000            | 545,000            |
| Debt Service Interest and Fees                               | <u>341,048</u>     | <u>273,198</u>     | <u>286,288</u>     |
| <b>TOTAL EXPENDITURES</b>                                    | <u>\$ 963,349</u>  | <u>\$ 865,432</u>  | <u>\$ 885,912</u>  |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <u>\$ (81,069)</u> | <u>\$ (37,493)</u> | <u>\$ (17,787)</u> |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                    |                    |                    |
| Proceeds from the Sale of Bonds                              | <u>\$ 113,000</u>  | <u>\$ - 0 -</u>    | <u>\$ - 0 -</u>    |
| <b>NET CHANGE IN FUND BALANCE</b>                            | \$ 31,931          | \$ (37,493)        | \$ (17,787)        |
| <b>BEGINNING FUND BALANCE</b>                                | <u>942,105</u>     | <u>979,598</u>     | <u>997,385</u>     |
| <b>ENDING FUND BALANCE</b>                                   | <u>\$ 974,036</u>  | <u>\$ 942,105</u>  | <u>\$ 979,598</u>  |
| <b>TOTAL ACTIVE RETAIL WATER<br/>CONNECTIONS</b>             | <u>395</u>         | <u>395</u>         | <u>394</u>         |
| <b>TOTAL ACTIVE RETAIL WASTEWATER<br/>CONNECTIONS</b>        | <u>359</u>         | <u>359</u>         | <u>359</u>         |

See accompanying independent auditor's report



|                   |                   | Percentage of Total Revenues |                |                |                |                |
|-------------------|-------------------|------------------------------|----------------|----------------|----------------|----------------|
| 2016              | 2015              | 2019                         | 2018           | 2017           | 2016           | 2015           |
| \$ 816,153        | \$ 714,122        | 94.9 %                       | 95.5 %         | 96.9 %         | 95.8 %         | 97.8 %         |
| 32,675            | 14,761            | 1.6                          | 1.6            | 1.5            | 3.8            | 2.0            |
| 3,037             | 1,685             | 3.5                          | 2.9            | 1.6            | 0.4            | 0.2            |
| <u>\$ 851,865</u> | <u>\$ 730,568</u> | <u>100.0 %</u>               | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> |
| \$ 46,513         | \$ 46,648         | 5.3 %                        | 4.5 %          | 6.3 %          | 5.5 %          | 6.4 %          |
| 535,000           | 520,000           | 65.2                         | 67.0           | 62.8           | 62.8           | 71.2           |
| 264,473           | 155,899           | 38.7                         | 33.0           | 33.0           | 31.0           | 21.3           |
| <u>\$ 845,986</u> | <u>\$ 722,547</u> | <u>109.2 %</u>               | <u>104.5 %</u> | <u>102.1 %</u> | <u>99.3 %</u>  | <u>98.9 %</u>  |
| \$ 5,879          | \$ 8,021          | <u>(9.2) %</u>               | <u>(4.5) %</u> | <u>(2.1) %</u> | <u>0.7 %</u>   | <u>1.1 %</u>   |
| <u>\$ 324,150</u> | <u>\$ - 0 -</u>   |                              |                |                |                |                |
| \$ 330,029        | \$ 8,021          |                              |                |                |                |                |
| 667,356           | 659,335           |                              |                |                |                |                |
| <u>\$ 997,385</u> | <u>\$ 667,356</u> |                              |                |                |                |                |
| <u>393</u>        | <u>389</u>        |                              |                |                |                |                |
| <u>358</u>        | <u>355</u>        |                              |                |                |                |                |

See accompanying independent auditor's report

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2019**

District Mailing Address - Harris County Municipal Utility District No. 16  
c/o Young & Brooks  
10000 Memorial Drive, Suite 260  
Houston, TX 77024

District Telephone Number - (713) 951-0800

| <b>Board Members:</b> | Term of Office<br>(Elected or Appointed) | Fees of Office<br>for the<br>year ended<br><u>September 30, 2019</u> | Expense Reimbursements<br>for the<br>year ended<br><u>September 30, 2019</u> | <u>Title</u>        |
|-----------------------|--|--|--|---------------------|
| Henrietta Davis       | 05/16<br>05/20<br>(Elected)              | \$ 6,000   | \$ 1,478   | President           |
| Felicia A. Robinson   | 05/16<br>05/20<br>(Elected)              | \$ 6,000   | \$ 1,181   | Secretary           |
| William Asberry       | 05/18<br>05/22<br>(Elected)              | \$ 5,400   | \$ 317   | Assistant Secretary |
| Cynthia Stoneham      | 05/18<br>05/22<br>(Elected)              | \$ 300   | \$ -0-   | Director            |

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

Submission date of most recent District Registration Form: September 9, 2019.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on September 20, 2005. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 16  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2019**

| <b>Consultants:</b>                 | <u>Date Hired</u> | <u>Fees of Office<br/>for the<br/>year ended<br/>September 30, 2019</u> | <u>Title</u>  |
|-------------------------------------|-------------------|---|---|
| Young & Brooks                      | 02/06/80          | \$ 237,697<br>\$ 75,625<br>\$ 11,842                                    | General Counsel<br>Bond Counsel<br>Delinquent Tax<br>Attorney |
| McCall Gibson Swedlund Barfoot PLLC | 09/15/87          | \$ 16,250<br>\$ 1,500   | Auditor<br>Bond Related                                       |
| Myrtle Cruz, Inc.                   | 02/06/80          | \$ 21,580   | Bookkeeper  |
| Jones & Carter, Inc.                | 12/05/78          | \$ 359,968  | Engineer  |
| Masterson Advisors LLC              | 07/12/18          | \$ 63,068   | Financial Advisor   |
| Municipal Resources                 | 04/23/10          | \$ 115,440  | General<br>Manager  |
| Eagle Water Management, Inc.        | 12/15/02          | \$ 201,970  | Operator  |
| Bob Leared Interests, Inc.          | 12/28/78          | \$ 21,070   | Tax<br>Assessor/<br>Collector                                 |
| Mary Jarmon                         | 12/20/05          | \$ -0-  | Investment<br>Officer   |

See accompanying independent auditor's report

