

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2021

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416

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ANNUAL FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 416
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. 416 (the "District"), as of and for the year ended June 30, 2021, 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 June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 14, 2021

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

Management's discussion and analysis of the financial performance of Harris County Municipal Utility District No. 416 (the "District") provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. 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 similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets, liabilities and deferred inflows and outflows of resources, if applicable, 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 property tax revenues and professional and administrative 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. 416
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund financial 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 assists 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, liabilities exceeded assets and deferred outflows of resources by \$2,301,706 as of June 30, 2021. A portion of the District's net position reflects its net investment in capital assets which includes the costs to construct or acquire District infrastructure, less any debt issued to pay for those assets that is still outstanding. A comparative analysis of government-wide changes in net position is presented below:

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

| | Summary of Changes in the Statement of Net Position | | |
|---|---|-----------------------|----------------------------------|
| | 2021 | 2020 | Change Positive (Negative) |
| Current and Other Assets | \$ 2,351,968 | \$ 1,866,837 | \$ 485,131 |
| Intangible Assets (Net of Accumulated Amortization) | 1,998,151 | 1,471,498 | 526,653 |
| Capital Assets (Net of Accumulated Depreciation) | <u>9,996,698</u> | <u>7,081,365</u> | <u>2,915,333</u> |
| Total Assets | <u>\$ 14,346,817</u> | <u>\$ 10,419,700</u> | <u>\$ 3,927,117</u> |
| Deferred Outflows of Resources | <u>\$ 77,369</u> | <u>\$ -0-</u> | <u>\$ 77,369</u> |
| Due to Developer | \$ 2,871,036 | \$ 277,901 | \$ (2,593,135) |
| Bonds Payable | 13,718,129 | 12,109,169 | (1,608,960) |
| Other Liabilities | <u>136,727</u> | <u>161,795</u> | <u>25,068</u> |
| Total Liabilities | <u>\$ 16,725,892</u> | <u>\$ 12,548,865</u> | <u>\$ (4,177,027)</u> |
| Net Position: | | | |
| Net Investment in Capital Assets | \$ (3,344,548) | \$ (2,926,217) | \$ (418,331) |
| Restricted | 780,647 | 649,745 | 130,902 |
| Unrestricted | <u>262,195</u> | <u>147,307</u> | <u>114,888</u> |
| Total Net Position | <u>\$ (2,301,706)</u> | <u>\$ (2,129,165)</u> | <u>\$ (172,541)</u> |

The following table provides a summary of the District's operations for the years ended June 30, 2021 and June 30, 2020.

| | Summary of Changes in the Statement of Activities | | |
|---------------------------------|---|-----------------------|----------------------------------|
| | 2021 | 2020 | Change Positive (Negative) |
| Revenues: | | | |
| Property Taxes | \$ 1,138,201 | \$ 911,224 | \$ 226,977 |
| Other Revenues | <u>44,492</u> | <u>25,579</u> | <u>18,913</u> |
| Total Revenues | <u>\$ 1,182,693</u> | <u>\$ 936,803</u> | <u>\$ 245,890</u> |
| Total Expenses | <u>1,355,234</u> | <u>823,563</u> | <u>(531,671)</u> |
| Change in Net Position | \$ (172,541) | \$ 113,240 | \$ (285,781) |
| Net Position, Beginning of Year | <u>(2,129,165)</u> | <u>(2,242,405)</u> | <u>113,240</u> |
| Net Position, End of Year | <u>\$ (2,301,706)</u> | <u>\$ (2,129,165)</u> | <u>\$ (172,541)</u> |

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2021, totaled \$2,301,600, an increase of \$459,005 from the prior year.

The General Fund fund balance increased by \$110,064, primarily due to property tax revenues exceeding professional and administrative expenditures.

The Debt Service Fund fund balance increased by \$84,532, primarily due to the structure of the District's outstanding bond debt and the impact of the issuance of the Series 2021 Refunding Bond sale.

The Capital Projects Fund fund balance increased by \$264,409, primarily due to surplus funds resulting from the issuance of the Series 2020 Road Bond sale.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$104,164 more than budgeted revenues and actual expenditures were \$58,625 more than budgeted expenditures which resulted in a positive variance of \$45,539. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of June 30, 2021, total \$9,996,698 (net of accumulated depreciation) and include land, paving, drainage system, and detention facilities. Current year additions included drainage/detention facilities serving Willowcreek Ranch, Section 10, land, and paving for Holderrieth Road and Telge Road.

| Capital Assets At Year-End, Net of Accumulated Depreciation | | | |
|---|--------------|--------------|----------------------------------|
| | 2021 | 2020 | Change Positive (Negative) |
| Capital Assets Not Being Depreciated: | | | |
| Land and Land Improvements | \$ 1,050,607 | \$ 978,477 | \$ 72,130 |
| Capital Assets, Net of Accumulated Depreciation: | | | |
| Drainage System/Detention Facilities | 6,863,261 | 6,102,888 | 760,373 |
| Paving | 2,082,830 | | 2,082,830 |
| Total Net Capital Assets | \$ 9,996,698 | \$ 7,081,365 | \$ 2,915,333 |

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

INTANGIBLE ASSETS

The District does not own its water distribution facilities. As water facilities are constructed they are conveyed to Northwest Harris County Municipal Utility District No. 5 for ownership and maintenance (see also Notes 6 and 8). Current year additions included water facilities serving Willowcreek Ranch, Section 10.

| Intangible Assets At Year-End, Net of Accumulated Amortization | | | |
|--|--------------|--------------|----------------------------------|
| | 2021 | 2020 | Change Positive (Negative) |
| Water Facilities and Connection Fees | \$ 2,215,279 | \$ 1,647,901 | \$ 567,378 |
| Less: Accumulated Amortization | 217,128 | 176,403 | (40,725) |
| Total Net Intangible Assets | \$ 1,998,151 | \$ 1,471,498 | \$ 526,653 |

LONG-TERM DEBT ACTIVITY

Bonds payable as of June 30, 2021 totals \$13,720,000. The changes in the debt position of the District during the current fiscal year are summarized as follows:

| | |
|------------------------------------|---------------|
| Bond Debt Payable, July 1, 2020 | \$ 12,135,000 |
| Add: Bond Sales | 6,310,000 |
| Less: Bond Principal Paid/Refunded | 4,725,000 |
| Bond Debt Payable, June 30, 2021 | \$ 13,720,000 |

The District’s Series 2021 Refunding Bonds have been assigned an underlying credit rating of “Baa2” by Moody’s. The District’s Series 2019, Series 2020 Road, and Series 2021 Refunding Bonds carry insured ratings of “AA” based on insurance issued by Build America Mutual Assurance Company. Consistent with the prior fiscal year, the District’s other bonds do not carry insured ratings.

The District has executed a facilities and operating costs reimbursement agreement with the Developer which calls for the Developer to fund costs associated with the construction of utilities, roads and recreational facilities. Reimbursement will come from the proceeds of future bond issuances to the extent approved by the Commission. The developer liability at year end totaled \$2,871,036.

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. 416, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, TX 77019.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2021

| | General Fund | Debt Service Fund |
|--|-------------------|----------------------|
| ASSETS | | |
| Cash | \$ 18,656 | \$ 49,800 |
| Investments | 470,299 | 834,455 |
| Property Taxes Receivable | 5,781 | 15,078 |
| Due from Other Funds | 15,850 | 6,205 |
| Intangible Assets (Net of Accumulated Amortization) | | |
| Land | | |
| Capital Assets (Net of Accumulated Depreciation) | | |
| TOTAL ASSETS | \$ 510,586 | \$ 905,538 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Charges on Refunding Bonds | \$ -0- | \$ -0- |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 510,586 | \$ 905,538 |

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

| <u>Capital Projects Fund</u> | <u>Total</u> | <u>Adjustments</u> | <u>Statement of Net Position</u> |
|----------------------------------|---------------------|----------------------|--------------------------------------|
| \$ | \$ 68,456 | \$ | \$ 68,456 |
| 957,899 | 2,262,653 | | 2,262,653 |
| | 20,859 | | 20,859 |
| | 22,055 | (22,055) | |
| | | 1,998,151 | 1,998,151 |
| | | 1,050,607 | 1,050,607 |
| | | 8,946,091 | 8,946,091 |
| <u>\$ 957,899</u> | <u>\$ 2,374,023</u> | <u>\$ 11,972,794</u> | <u>\$ 14,346,817</u> |
| <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 77,369</u> | <u>\$ 77,369</u> |
| <u>\$ 957,899</u> | <u>\$ 2,374,023</u> | <u>\$ 12,050,163</u> | <u>\$ 14,424,186</u> |

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2021

| | General Fund | Debt Service Fund |
|--|-------------------|----------------------|
| LIABILITIES | | |
| Accounts Payable | \$ 27,686 | \$ 1,272 |
| Accrued Interest Earned at Time of Sale | | 551 |
| Accrued Interest Payable | | |
| Due to Developer | | |
| Due to Other Funds | 6,205 | 15,850 |
| Long-Term Liabilities: | | |
| Bonds Payable, Due Within One Year | | |
| Bonds Payable, Due After One Year | | |
| TOTAL LIABILITIES | \$ 33,891 | \$ 17,673 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property Taxes | \$ 5,781 | \$ 15,078 |
| FUND BALANCES | | |
| Restricted for Authorized Construction | \$ | \$ |
| Restricted for Debt Service | | 872,787 |
| Assigned to 2022 Budgeted Deficit | 2,892 | |
| Unassigned | 468,022 | |
| TOTAL FUND BALANCES | \$ 470,914 | \$ 872,787 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 510,586 | \$ 905,538 |
| NET POSITION | | |
| Net Investment in Capital Assets | | |
| Restricted for Debt Service | | |
| Unrestricted | | |
| TOTAL NET POSITION | | |

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

| <u>Capital Projects Fund</u> | <u>Total</u> | <u>Adjustments</u> | <u>Statement of Net Position</u> |
|----------------------------------|---------------------|-----------------------|--------------------------------------|
| \$ | \$ 28,958 | \$ | \$ 28,958 |
| | 551 | (551) | |
| | | 107,769 | 107,769 |
| | | 2,871,036 | 2,871,036 |
| | 22,055 | (22,055) | |
| | | 310,000 | 310,000 |
| | | <u>13,408,129</u> | <u>13,408,129</u> |
| <u>\$ -0-</u> | <u>\$ 51,564</u> | <u>\$ 16,674,328</u> | <u>\$ 16,725,892</u> |
| <u>\$ -0-</u> | <u>\$ 20,859</u> | <u>\$ (20,859)</u> | <u>\$ -0-</u> |
| \$ 957,899 | \$ 957,899 | \$ (957,899) | \$ |
| | 872,787 | (872,787) | |
| | 2,892 | (2,892) | |
| | <u>468,022</u> | <u>(468,022)</u> | |
| <u>\$ 957,899</u> | <u>\$ 2,301,600</u> | <u>\$ (2,301,600)</u> | <u>\$ -0-</u> |
| <u>\$ 957,899</u> | <u>\$ 2,374,023</u> | | |
| | | \$ (3,344,548) | \$ (3,344,548) |
| | | 780,647 | 780,647 |
| | | <u>262,195</u> | <u>262,195</u> |
| | | <u>\$ (2,301,706)</u> | <u>\$ (2,301,706)</u> |

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total Fund Balances - Governmental Funds \$ 2,301,600

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

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter. 77,369

Intangible assets are not current financial resources and, therefore, are not reported as assets in the governmental funds. 1,998,151

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 9,996,698

Deferred inflows of resources related to property tax revenues for the 2020 and prior tax levies became part of recognized revenue in the governmental activities of the District. 20,859

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

| | | |
|--------------------------|---------------------|---------------------|
| Due to Developer | \$ (2,871,036) | |
| Accrued Interest Payable | (107,218) | |
| Bonds Payable | <u>(13,718,129)</u> | <u>(16,696,383)</u> |

Total Net Position - Governmental Activities \$ (2,301,706)

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

| | General Fund | Debt Service Fund |
|---|-------------------|----------------------|
| REVENUES | | |
| Property Taxes | \$ 319,008 | \$ 801,889 |
| Penalty and Interest | | 7,121 |
| Investment and Miscellaneous Revenues | 35,356 | 1,212 |
| TOTAL REVENUES | \$ 354,364 | \$ 810,222 |
| EXPENDITURES/EXPENSES | | |
| Service Operations: | | |
| Professional Fees | \$ 142,411 | \$ |
| Contracted Services | 12,280 | 20,019 |
| Repairs and Maintenance | 69,564 | |
| Amortization and Depreciation | | |
| Other | 20,045 | 4,339 |
| Developer Interest | | |
| Capital Outlay | | |
| Debt Service: | | |
| Bond Principal | | 300,000 |
| Bond Interest | | 442,891 |
| Bond Issuance Costs | | 191,366 |
| Payment to Refunded Bond Escrow Agent | | 50,000 |
| TOTAL EXPENDITURES/EXPENSES | \$ 244,300 | \$ 1,008,615 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES | \$ 110,064 | \$ (198,393) |
| OTHER FINANCING SOURCES (USES) | | |
| Proceeds From Issuance of Long-Term Debt | \$ | \$ 83,350 |
| Proceeds From Issuance of Refunding Bonds | | 4,620,000 |
| Transfer to Refunded Bond Escrow Agent | | (4,452,639) |
| Bond Discount | | |
| Bond Premium | | 32,214 |
| TOTAL OTHER FINANCING SOURCES (USES) | \$ -0- | \$ 282,925 |
| NET CHANGE IN FUND BALANCES | \$ 110,064 | \$ 84,532 |
| CHANGE IN NET POSITION | | |
| FUND BALANCES/NET POSITION - JULY 1, 2020 | 360,850 | 788,255 |
| FUND BALANCES/NET POSITION - JUNE 30, 2021 | \$ 470,914 | \$ 872,787 |

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

| Capital Projects Fund | Total | Adjustments | Statement of Activities |
|--------------------------|-----------------------|-----------------------|----------------------------|
| \$ | \$ 1,120,897 | \$ 17,304 | \$ 1,138,201 |
| | 7,121 | | 7,121 |
| 803 | 37,371 | | 37,371 |
| <u>\$ 803</u> | <u>\$ 1,165,389</u> | <u>\$ 17,304</u> | <u>\$ 1,182,693</u> |
| | | | |
| \$ | \$ 142,411 | \$ | \$ 142,411 |
| | 32,299 | | 32,299 |
| | 69,564 | | 69,564 |
| | | 261,491 | 261,491 |
| | 24,384 | | 24,384 |
| 44,649 | 44,649 | | 44,649 |
| 1,110,341 | 1,110,341 | (1,110,341) | |
| | 300,000 | (300,000) | |
| | 442,891 | (32,274) | 410,617 |
| 178,453 | 369,819 | | 369,819 |
| | 50,000 | (50,000) | |
| <u>\$ 1,333,443</u> | <u>\$ 2,586,358</u> | <u>\$ (1,231,124)</u> | <u>\$ 1,355,234</u> |
| | | | |
| <u>\$ (1,332,640)</u> | <u>\$ (1,420,969)</u> | <u>\$ 1,248,428</u> | <u>\$ (172,541)</u> |
| | | | |
| \$ 1,606,650 | \$ 1,690,000 | \$ (1,690,000) | \$ |
| | 4,620,000 | (4,620,000) | |
| | (4,452,639) | 4,452,639 | |
| (49,970) | (49,970) | 49,970 | |
| 40,369 | 72,583 | (72,583) | |
| <u>\$ 1,597,049</u> | <u>\$ 1,879,974</u> | <u>\$ (1,879,974)</u> | <u>\$ -0-</u> |
| | | | |
| \$ 264,409 | \$ 459,005 | \$ (459,005) | \$ |
| | | (172,541) | (172,541) |
| 693,490 | 1,842,595 | (3,971,760) | (2,129,165) |
| <u>\$ 957,899</u> | <u>\$ 2,301,600</u> | <u>\$ (4,603,306)</u> | <u>\$ (2,301,706)</u> |

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

| | |
|--|---------------------|
| Net Change in Fund Balances - Governmental Funds | \$ 459,005 |
| 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. | 17,304 |
| Governmental funds do not account for depreciation and amortization. However, in the Statement of Net Position, capital assets and intangible assets are depreciated and amortized. The depreciation and amortization expense is recorded in the Statement of Activities. | (261,491) |
| 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. | 1,110,341 |
| Governmental funds report bond premiums and bond discounts as other financing sources and uses in the year paid. However, in the Statement of Net Position, bond premiums and bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities. | (22,613) |
| 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. | 300,000 |
| 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. | 32,274 |
| Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position. | (6,310,000) |
| Governmental funds report the payment to the refunded bond escrow agent as an other financing use and as an expenditure if paid from District funds. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position. | <u>4,502,639</u> |
| Change in Net Position - Governmental Activities | <u>\$ (172,541)</u> |

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 416 of Harris County, Texas was created effective February 7, 2006, by an Order of the Texas Commission on Environmental Quality (the “Commission”). 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, roads, solid waste collection and disposal, including recycling, parks and recreational facilities for the residents of the District. The first Board of Directors meeting was on March 13, 2006.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

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

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, 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide 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 to be a major fund.

General Fund – Accounts for property tax revenues and professional and administrative expenditures.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 June 30, 2021, the Debt Service Fund owed the General Fund \$15,850 for maintenance tax collections and the General Fund owed the Debt Service Fund \$6,205 for amounts related to the Series 2021 Refunding Bond sale.

Capital Assets and Intangible Assets

Capital assets include land, roads, drainage and detention facilities and 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. Developer interest costs are shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Intangible Assets (Continued)

calculated on each class of depreciable property using the straight-line method of depreciation over a period of 45 years. Intangible assets consist of water production facilities and water capacity fees and are amortized using the straight-line method over a period of 50 years (see also Notes 6 and 8).

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current 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 considered to be wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

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

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds 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. The District does not have any nonspendable fund balances.

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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District assigned \$2,892 of its General Fund fund balance to cover a projected budget deficit for the fiscal year ending in 2022.

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

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2021:

| | July 1, 2020 | Additions | Retirements | June 30, 2021 |
|-----------------------|----------------------|----------------------------|---------------------|----------------------|
| Bonds Payable | \$ 12,135,000 | \$ 6,310,000 | \$ 4,725,000 | \$ 13,720,000 |
| Unamortized Discounts | (25,831) | (49,970) | (2,977) | (72,824) |
| Unamortized Premiums | | 72,583 | 1,630 | 70,953 |
| Bonds Payable, net | <u>\$ 12,109,169</u> | <u>\$ 6,332,613</u> | <u>\$ 4,723,653</u> | <u>\$ 13,718,129</u> |
| | | Amount Due Within One Year | | \$ 310,000 |
| | | Amount Due After One Year | | <u>13,408,129</u> |
| | | Bonds Payable, net | | <u>\$ 13,718,129</u> |

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3. LONG-TERM DEBT (Continued)

| | <u>Series 2016</u> | <u>Series 2017</u> | <u>Series 2019</u> |
|---|-----------------------------|----------------------------------|---------------------------|
| Amounts outstanding – June 30, 2021 | \$ 125,000 | \$ 4,725,000 | \$ 2,560,000 |
| Interest Rates | 2.30% | 2.20% - 4.00% | 3.00% - 5.00% |
| Maturity Dates – Serially Beginning/Ending | September 1, 2021 | September 1, 2021/2043 | September 1, 2021/2043 |
| Interest Payment Dates | September 1/ March 1 | September 1/ March 1 | September 1/ March 1 |
| Callable Dates | September 1, 2021* | September 1, 2023* | September 1, 2024* |
| | <u>Series 2020 Road</u> | <u>Series 2021 Refunding</u> | |
| Amounts outstanding – June 30, 2021 | \$ 1,690,000 | \$ 4,620,000 | |
| Interest Rates | 2.00% - 4.50% | 1.00% - 3.00% | |
| Maturity Dates – Serially Beginning/Ending | September 1, 2022/2044 | September 1, 2022/2042 | |
| Interest Payment Dates | September 1/ March 1 | September 1/ March 1 | |
| Callable Dates | September 1, 2025* | September 1, 2027* | |

* The bonds are subject to redemption at the option of the District prior to their maturity in whole, or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2017 term bonds maturing on September 1, 2031, 2033, 2035, 2037, and 2043, can be redeemed at a price equal to par plus accrued interest thereon to the redemption date on September 1, 2030, 2032, 2034, 2036, and 2038, respectively. Series 2019 term bonds maturing on September 1, 2033, 2035, 2037, 2039, 2041, and 2043, can be redeemed at a price equal to par plus accrued interest thereon to the redemption date on September 1, 2032, 2034, 2036, 2038, 2040, and 2042, respectively. Series 2020 Road term bonds maturing on September 1, 2036, 2040, and 2044, can be redeemed at a price equal to par plus accrued interest thereon to the redemption date on September 1, 2034, 2037, and 2041, respectively. Series 2021 Refunding term bonds maturing on September 1, 2034, and 2042, can be redeemed at a price equal to par plus accrued interest thereon to the redemption date on September 1, 2033, and 2040, respectively.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3. LONG-TERM DEBT (Continued)

As of June 30, 2021, the District had authorized but unissued bonds in the amount of \$23,230,000 for water, sanitary sewer, and stormwater drainage facilities, \$2,460,000 for parks and recreational facilities, and \$25,535,000 for roads. These authorizations include any amounts issued for refunding purposes.

As of June 30, 2021, the debt service requirements on the bonds outstanding were as follows:

| Fiscal Year | Principal | Interest | Total |
|-------------|----------------------|---------------------|----------------------|
| 2022 | \$ 310,000 | \$ 370,441 | \$ 680,441 |
| 2023 | 425,000 | 384,139 | 809,139 |
| 2024 | 435,000 | 369,438 | 804,438 |
| 2025 | 460,000 | 354,111 | 814,111 |
| 2026 | 475,000 | 338,540 | 813,540 |
| 2027-2031 | 2,645,000 | 1,480,921 | 4,125,921 |
| 2032-2036 | 3,090,000 | 1,117,423 | 4,207,423 |
| 2037-2041 | 3,620,000 | 640,259 | 4,260,259 |
| 2042-2045 | 2,260,000 | 107,042 | 2,367,042 |
| | <u>\$ 13,720,000</u> | <u>\$ 5,162,314</u> | <u>\$ 18,882,314</u> |

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

During the year ended June 30, 2021, the District levied an ad valorem debt service tax rate of \$0.465 per \$100 of assessed valuation, which resulted in a tax levy of \$808,821 on the adjusted taxable valuation of \$173,939,901 for the 2020 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.

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

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 five-year anniversary of each issue.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS
(Continued)

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

A portion of the Series 2020 Road bond proceeds totaling \$83,350 was deposited into the Debt Service Fund and restricted for the payment of future road bond interest.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$68,456 and the bank balance was \$77,648. 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 June 30, 2021, as listed below:

| | Cash |
|-------------------|-----------|
| GENERAL FUND | \$ 18,656 |
| DEBT SERVICE FUND | 49,800 |
| TOTAL DEPOSITS | \$ 68,456 |

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

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.

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

As of June 30, 2021, the District had the following investments and maturities:

| Fund and Investment Type | Fair Value | Maturities of Less Than 1 Year |
|------------------------------|--------------|--------------------------------------|
| <u>GENERAL FUND</u> | | |
| TexPool | \$ 470,299 | \$ 470,299 |
| <u>DEBT SERVICE FUND</u> | | |
| TexPool | 834,455 | 834,455 |
| <u>CAPITAL PROJECTS FUND</u> | | |
| TexPool | 957,899 | 957,899 |
| TOTAL INVESTMENTS | \$ 2,262,653 | \$ 2,262,653 |

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2021, the District's investment in TexPool was rated "AAAm" by Standard & Poor's. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

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.

NOTE 6. CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital asset activity for the year ended June 30, 2021 is as follows:

| | July 1, 2020 | Increases | Decreases | June 30, 2021 |
|--|-----------------|--------------|-----------|------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land and Land Improvements | \$ 978,477 | \$ 72,130 | \$ - 0 - | \$ 1,050,607 |
| Capital Assets Subject to Depreciation | | | | |
| Drainage System/Detention Facilities | \$ 6,835,890 | \$ 921,596 | \$ | \$ 7,757,486 |
| Paving | | 2,142,373 | | 2,142,373 |
| Total Capital Assets Cost Subject to Depreciation | \$ 6,835,890 | \$ 3,063,969 | \$ - 0 - | \$ 9,899,859 |
| Accumulated Depreciation | | | | |
| Drainage System/Detention Facilities | \$ 733,002 | \$ 161,223 | \$ | \$ 894,225 |
| Paving | | 59,543 | | 59,543 |
| Total Accumulated Depreciation | \$ 733,002 | \$ 220,766 | \$ - 0 - | \$ 953,768 |
| Total Depreciable Capital Assets, Net of Accumulated Depreciation | \$ 6,102,888 | \$ 2,843,203 | \$ - 0 - | \$ 8,946,091 |
| Total Capital Assets, Net of Accumulated Depreciation | \$ 7,081,365 | \$ 2,915,333 | \$ - 0 - | \$ 9,996,698 |

In accordance with the Water Supply Agreement discussed in Note 8, the District's Developer has constructed water facilities within its boundaries and District No. 5 has accepted conveyance of such facilities for operation and maintenance. The District has recognized an intangible asset for the cost of water facilities constructed and conveyed to District No. 5 as well as water plant capacity purchased from District No. 5.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6. CAPITAL ASSETS AND INTANGIBLE ASSETS (Continued)

Intangible assets, and related amortization expense, are as follows:

| | July 1, 2020 | Increases | Decreases | June 30, 2021 |
|--------------------------------------|---------------------|-------------------|-----------------|---------------------|
| Water Facilities and Connection Fees | \$ 1,647,901 | \$ 567,378 | \$ | \$ 2,215,279 |
| Less: Accumulated Amortization | 176,403 | 40,725 | | 217,128 |
| Intangible Assets, Net | <u>\$ 1,471,498</u> | <u>\$ 526,653</u> | <u>\$ - 0 -</u> | <u>\$ 1,998,151</u> |

NOTE 7. MAINTENANCE TAX

On May 10, 2014, the voters of the District approved the levy and collection of a maintenance tax in an unlimited amount per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used to pay general and administrative expenditures and for any other lawful purpose. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.185 per \$100 of assessed valuation, which resulted in a tax levy of \$321,789 on the adjusted taxable valuation of \$173,939,901 for the 2020 tax year.

NOTE 8. WATER SUPPLY AGREEMENTS

On September 13, 2006, the District entered into an emergency water supply agreement with Northwest Harris County Municipal Utility District No. 5 ("District No. 5"). On February 14, 2007, the District and District No. 5 entered into a Water Facilities Contract. On April 4, 2007, District No. 5 purchased the water well and water plant located in the District for \$2,185,150. All previous agreements were terminated by the Water Supply Agreement discussed below.

On August 15, 2013, the District and District No. 5 entered into a Water Supply Agreement. Pursuant to the agreement, the District relinquished any right to the water well and plant located within the District and District No. 5 agreed to provide water service for up to 300 equivalent single-family connections located within the District. The District is responsible for designing and constructing all water distribution facilities and purchases water capacity from District No. 5 at a cost of \$1,500 per connection. District No. 5 is responsible for ordinary maintenance and repair costs while the District is responsible for unusual or extraordinary costs. The term of the agreement is 50 years.

The Water Supply Agreement was amended on January 17, 2019, to allow for the use of a portion of the District's capacity in the District No. 5 facilities to provide service to Graceview Baptist Church (the "Church").

On June 2, 2020, the District executed an Out of District Service Agreement with the Church. District No. 5 is responsible for reading the meters and billing the Church for water used. The term of the agreement is 50 years.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the North Harris County Regional Water Authority (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 75th 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 has entered into a contract for purchase of surface water from the City of Houston, Texas to assure that its participants comply with the Harris-Galveston Subsidence District (“HGSD”) pumpage requirements, which mandate that districts within HGSD boundaries, including the District, convert a percentage of their water use to surface water over a period of time.

NOTE 10. UNREIMBURSED COSTS

The District has executed a facilities and operating costs reimbursement agreement with the Developer which calls for the Developer to fund costs associated with the construction of utilities, roads and recreational facilities. Reimbursement will come from the proceeds of future bond issuances to the extent approved by the Commission. The Developer liability at year end totaled \$2,871,036, an increase of \$2,593,135.

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters from which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and there have been no settlements.

NOTE 12. BOND SALES

On August 5, 2020, the District closed on the sale of its \$1,690,000 Series 2020 Unlimited Tax Road Bonds. The District used proceeds of the bonds to reimburse the Developer for the remaining costs associated with Holderrieth Road paving and Telge Road paving. Proceeds of the bonds were also used to fund costs associated with land acquisition, engineering related to all projects, stormwater pollution prevention, developer interest, capitalized interest, and to pay for the bond issuance costs.

On June 3, 2021, the District closed on the sale of its \$4,620,000 Series 2021 Unlimited Tax Refunding Bonds. Proceeds of the bonds were used to refund \$4,425,000 of the Series 2016 Bonds with interest rates of 2.45% to 3.90%, maturity dates of September 1, 2022–2042, and a redemption date of September 1, 2021. The refunding resulted in gross debt service savings of \$746,651 and net present value savings of \$578,780.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13. ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. Since that time, the District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19. The District will continue to carefully monitor the situation and evaluate the financial statement impact, if any, that results from the pandemic.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2021

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|---------------------------------------|------------------------------|-------------------|------------------------------------|
| REVENUES | | | |
| Property Taxes | \$ 249,900 | \$ 319,008 | \$ 69,108 |
| Investment and Miscellaneous Revenues | <u>300</u> | <u>35,356</u> | <u>35,056</u> |
| TOTAL REVENUES | <u>\$ 250,200</u> | <u>\$ 354,364</u> | <u>\$ 104,164</u> |
| EXPENDITURES | | | |
| Service Operations: | | | |
| Professional Fees | \$ 97,500 | \$ 142,411 | \$ (44,911) |
| Contracted Services | 12,000 | 12,280 | (280) |
| Repairs and Maintenance | 46,720 | 69,564 | (22,844) |
| Other | <u>29,455</u> | <u>20,045</u> | <u>9,410</u> |
| TOTAL EXPENDITURES | <u>\$ 185,675</u> | <u>\$ 244,300</u> | <u>\$ (58,625)</u> |
| NET CHANGE IN FUND BALANCE | \$ 64,525 | \$ 110,064 | \$ 45,539 |
| FUND BALANCE - JULY 1, 2020 | <u>360,850</u> | <u>360,850</u> | <u> </u> |
| FUND BALANCE - JUNE 30, 2021 | <u>\$ 425,375</u> | <u>\$ 470,914</u> | <u>\$ 45,539</u> |

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JUNE 30, 2021

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2021

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

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

Water service is provided by Northwest Harris County Municipal Utility District No. 5. The District is responsible for detention and mitigation basins, amenity lakes, storm sewer and drainage systems.

2. RETAIL SERVICE PROVIDERS: NOT APPLICABLE

3. TOTAL WATER CONSUMPTION: NOT APPLICABLE

4. STANDBY FEES: NOT APPLICABLE

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all X

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

Entirely X Partly Not at all

ETJs in which District is located:

Cities of Houston, Texas and Tomball, Texas.

Is the general membership of the Board appointed by an office outside the District?

Yes No X

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2021

| | |
|--|-------------------|
| PROFESSIONAL FEES: | |
| Auditing | \$ 13,000 |
| Engineering | 46,304 |
| Legal | <u>83,107</u> |
| TOTAL PROFESSIONAL FEES | <u>\$ 142,411</u> |
| CONTRACTED SERVICES: | |
| Bookkeeping | <u>\$ 12,280</u> |
| REPAIRS AND MAINTENANCE | <u>\$ 69,564</u> |
| ADMINISTRATIVE EXPENDITURES: | |
| Director Fees, Including Payroll Taxes | \$ 12,272 |
| Insurance | 3,388 |
| Office Supplies, Postage and Dues | 3,379 |
| Travel and Meetings | <u>1,006</u> |
| TOTAL ADMINISTRATIVE EXPENDITURES | <u>\$ 20,045</u> |
| TOTAL EXPENDITURES | <u>\$ 244,300</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
INVESTMENTS
JUNE 30, 2021

| Funds | Identification or Certificate Number | Interest Rate | Maturity Date | Balance at End of Year | Accrued Interest Receivable at End of Year |
|------------------------------|---|------------------|------------------|---------------------------|---|
| <u>GENERAL FUND</u> | | | | | |
| TexPool | XXXX0006 | Varies | Daily | \$ 470,299 | \$ - 0 - |
| <u>DEBT SERVICE FUND</u> | | | | | |
| TexPool | XXXX0003 | Varies | Daily | \$ 775,432 | \$ |
| TexPool | XXXX0005 | Varies | Daily | 59,023 | |
| TOTAL DEBT SERVICE FUND | | | | <u>\$ 834,455</u> | <u>\$ - 0 -</u> |
| <u>CAPITAL PROJECTS FUND</u> | | | | | |
| TexPool | XXXX0002 | Varies | Daily | \$ 694,375 | \$ |
| TexPool | XXXX0004 | Varies | Daily | 263,524 | |
| TOTAL CAPITAL PROJECTS FUND | | | | <u>\$ 957,899</u> | <u>\$ - 0 -</u> |
| TOTAL - ALL FUNDS | | | | <u>\$ 2,262,653</u> | <u>\$ - 0 -</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2021

| | Maintenance Taxes | | Debt Service Taxes | |
|-----------------------------|-------------------|----------------|--------------------|----------------|
| TAXES RECEIVABLE - | | | | |
| JULY 1, 2020 | \$ | 957 | \$ | 2,598 |
| Adjustments to Beginning | | | | |
| Balance | | <u>2,043</u> | \$ | <u>5,548</u> |
| | | \$ | 3,000 | \$ |
| | | | <u>8,146</u> | |
| Original 2020 Tax Levy | \$ | 261,852 | \$ | 658,169 |
| Adjustment to 2020 Tax Levy | | <u>59,937</u> | <u>321,789</u> | <u>150,652</u> |
| TOTAL TO BE | | | | |
| ACCOUNTED FOR | | \$ | 324,789 | \$ |
| | | | | <u>816,967</u> |
| TAX COLLECTIONS: | | | | |
| Prior Years | \$ | 280 | \$ | 763 |
| Current Year | | <u>318,728</u> | <u>319,008</u> | <u>801,126</u> |
| | | | | <u>801,889</u> |
| TAXES RECEIVABLE - | | | | |
| JUNE 30, 2021 | | <u>\$</u> | <u>5,781</u> | <u>\$</u> |
| | | | | <u>15,078</u> |
| TAXES RECEIVABLE BY | | | | |
| YEAR: | | | | |
| 2020 | \$ | 3,061 | \$ | 7,695 |
| 2019 | | <u>2,720</u> | | <u>7,383</u> |
| TOTAL | | <u>\$</u> | <u>5,781</u> | <u>\$</u> |
| | | | | <u>15,078</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2021

| | 2020 | 2019 | 2018 | 2017 |
|--|------------------------------|------------------------------|------------------------------|-----------------------------|
| PROPERTY VALUATIONS: | | | | |
| Land | \$ 52,223,808 | \$ 47,725,676 | \$ 43,985,777 | \$ 38,173,492 |
| Improvements | 129,086,241 | 100,343,114 | 76,127,390 | 55,280,492 |
| Personal Property | 501,636 | 402,346 | 221,129 | 44,273 |
| Exemptions | <u>(7,871,784)</u> | <u>(8,095,067)</u> | <u>(4,569,068)</u> | <u>(7,142,316)</u> |
| TOTAL PROPERTY VALUATIONS | <u>\$ 173,939,901</u> | <u>\$ 140,376,069</u> | <u>\$ 115,765,228</u> | <u>\$ 86,355,941</u> |
| TAX RATES PER \$100 VALUATION: | | | | |
| Debt Service | \$ 0.465 | \$ 0.475 | \$ 0.465 | \$ 0.23 |
| Maintenance | <u>0.185</u> | <u>0.175</u> | <u>0.185</u> | <u>0.42</u> |
| TOTAL TAX RATES PER \$100 VALUATION | <u>\$ 0.65</u> | <u>\$ 0.65</u> | <u>\$ 0.65</u> | <u>\$ 0.65</u> |
| ADJUSTED TAX LEVY* | <u>\$ 1,130,610</u> | <u>\$ 912,445</u> | <u>\$ 752,473</u> | <u>\$ 561,313</u> |
| PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED | | | | |
| | <u>99.05 %</u> | <u>98.89 %</u> | <u>100.00 %</u> | <u>100.00 %</u> |

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

** Maintenance Tax – Voters approved an unlimited tax rate per \$100 of assessed valuation on May 10, 2014.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2021

S E R I E S - 2 0 1 6

| Due During Fiscal Years Ending June 30 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|-------------------|
| 2022 | \$ 125,000 | \$ 1,438 | \$ 126,438 |
| 2023 | | | |
| 2024 | | | |
| 2025 | | | |
| 2026 | | | |
| 2027 | | | |
| 2028 | | | |
| 2029 | | | |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| 2038 | | | |
| 2039 | | | |
| 2040 | | | |
| 2041 | | | |
| 2042 | | | |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| | <u>\$ 125,000</u> | <u>\$ 1,438</u> | <u>\$ 126,438</u> |

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2021

S E R I E S - 2 0 1 7

| Due During Fiscal Years Ending June 30 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|---------------------|
| 2022 | \$ 120,000 | \$ 166,985 | \$ 286,985 |
| 2023 | 125,000 | 164,165 | 289,165 |
| 2024 | 130,000 | 160,975 | 290,975 |
| 2025 | 140,000 | 157,325 | 297,325 |
| 2026 | 145,000 | 153,190 | 298,190 |
| 2027 | 150,000 | 148,765 | 298,765 |
| 2028 | 160,000 | 144,035 | 304,035 |
| 2029 | 165,000 | 138,915 | 303,915 |
| 2030 | 175,000 | 133,388 | 308,388 |
| 2031 | 180,000 | 127,440 | 307,440 |
| 2032 | 190,000 | 121,150 | 311,150 |
| 2033 | 195,000 | 114,410 | 309,410 |
| 2034 | 205,000 | 107,210 | 312,210 |
| 2035 | 215,000 | 99,543 | 314,543 |
| 2036 | 225,000 | 91,403 | 316,403 |
| 2037 | 235,000 | 82,775 | 317,775 |
| 2038 | 245,000 | 73,655 | 318,655 |
| 2039 | 255,000 | 63,900 | 318,900 |
| 2040 | 270,000 | 53,400 | 323,400 |
| 2041 | 280,000 | 42,400 | 322,400 |
| 2042 | 295,000 | 30,900 | 325,900 |
| 2043 | 305,000 | 18,900 | 323,900 |
| 2044 | 320,000 | 6,400 | 326,400 |
| 2045 | | | |
| | <u>\$ 4,725,000</u> | <u>\$ 2,401,229</u> | <u>\$ 7,126,229</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2021

S E R I E S - 2 0 1 9

| Due During Fiscal Years Ending June 30 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|---------------------|
| 2022 | \$ 65,000 | \$ 86,888 | \$ 151,888 |
| 2023 | 70,000 | 83,513 | 153,513 |
| 2024 | 70,000 | 80,101 | 150,101 |
| 2025 | 75,000 | 76,750 | 151,750 |
| 2026 | 80,000 | 73,862 | 153,862 |
| 2027 | 80,000 | 71,462 | 151,462 |
| 2028 | 85,000 | 68,987 | 153,987 |
| 2029 | 90,000 | 66,362 | 156,362 |
| 2030 | 95,000 | 63,587 | 158,587 |
| 2031 | 100,000 | 60,662 | 160,662 |
| 2032 | 105,000 | 57,587 | 162,587 |
| 2033 | 105,000 | 54,437 | 159,437 |
| 2034 | 110,000 | 51,212 | 161,212 |
| 2035 | 115,000 | 47,693 | 162,693 |
| 2036 | 120,000 | 43,876 | 163,876 |
| 2037 | 125,000 | 39,816 | 164,816 |
| 2038 | 135,000 | 35,428 | 170,428 |
| 2039 | 140,000 | 30,700 | 170,700 |
| 2040 | 145,000 | 25,713 | 170,713 |
| 2041 | 150,000 | 20,551 | 170,551 |
| 2042 | 160,000 | 15,126 | 175,126 |
| 2043 | 165,000 | 9,335 | 174,335 |
| 2044 | 175,000 | 3,175 | 178,175 |
| 2045 | | | |
| | <u>\$ 2,560,000</u> | <u>\$ 1,166,823</u> | <u>\$ 3,726,823</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2021

S E R I E S - 2 0 2 0 R O A D

| Due During Fiscal Years Ending June 30 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|---------------------|
| 2022 | \$ | \$ 41,300 | \$ 41,300 |
| 2023 | 75,000 | 39,612 | 114,612 |
| 2024 | 75,000 | 36,238 | 111,238 |
| 2025 | 75,000 | 32,862 | 107,862 |
| 2026 | 75,000 | 29,488 | 104,488 |
| 2027 | 75,000 | 27,050 | 102,050 |
| 2028 | 75,000 | 25,550 | 100,550 |
| 2029 | 75,000 | 24,050 | 99,050 |
| 2030 | 75,000 | 22,550 | 97,550 |
| 2031 | 75,000 | 21,050 | 96,050 |
| 2032 | 75,000 | 19,550 | 94,550 |
| 2033 | 75,000 | 18,050 | 93,050 |
| 2034 | 75,000 | 16,550 | 91,550 |
| 2035 | 75,000 | 15,050 | 90,050 |
| 2036 | 75,000 | 13,550 | 88,550 |
| 2037 | 75,000 | 12,050 | 87,050 |
| 2038 | 75,000 | 10,550 | 85,550 |
| 2039 | 70,000 | 9,100 | 79,100 |
| 2040 | 70,000 | 7,700 | 77,700 |
| 2041 | 70,000 | 6,300 | 76,300 |
| 2042 | 70,000 | 4,900 | 74,900 |
| 2043 | 70,000 | 3,500 | 73,500 |
| 2044 | 70,000 | 2,100 | 72,100 |
| 2045 | 70,000 | 700 | 70,700 |
| | <u>\$ 1,690,000</u> | <u>\$ 439,400</u> | <u>\$ 2,129,400</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2021

SERIES - 2021 REFUNDING

| Due During Fiscal Years Ending June 30 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|---------------------|
| 2022 | \$ | \$ 73,830 | \$ 73,830 |
| 2023 | 155,000 | 96,849 | 251,849 |
| 2024 | 160,000 | 92,124 | 252,124 |
| 2025 | 170,000 | 87,174 | 257,174 |
| 2026 | 175,000 | 82,000 | 257,000 |
| 2027 | 185,000 | 76,599 | 261,599 |
| 2028 | 195,000 | 70,900 | 265,900 |
| 2029 | 200,000 | 65,975 | 265,975 |
| 2030 | 205,000 | 62,950 | 267,950 |
| 2031 | 205,000 | 60,644 | 265,644 |
| 2032 | 215,000 | 57,750 | 272,750 |
| 2033 | 220,000 | 53,938 | 273,938 |
| 2034 | 230,000 | 49,438 | 279,438 |
| 2035 | 230,000 | 44,838 | 274,838 |
| 2036 | 235,000 | 40,188 | 275,188 |
| 2037 | 245,000 | 35,388 | 280,388 |
| 2038 | 250,000 | 30,438 | 280,438 |
| 2039 | 255,000 | 25,388 | 280,388 |
| 2040 | 260,000 | 20,238 | 280,238 |
| 2041 | 270,000 | 14,769 | 284,769 |
| 2042 | 275,000 | 8,978 | 283,978 |
| 2043 | 285,000 | 3,028 | 288,028 |
| 2044 | | | |
| 2045 | | | |
| | <u>\$ 4,620,000</u> | <u>\$ 1,153,424</u> | <u>\$ 5,773,424</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2021

ANNUAL REQUIREMENTS
FOR ALL SERIES

| Due During Fiscal Years Ending June 30 | Total Principal Due | Total Interest Due | Total Principal and Interest Due |
|--|------------------------|-----------------------|--|
| 2022 | \$ 310,000 | \$ 370,441 | \$ 680,441 |
| 2023 | 425,000 | 384,139 | 809,139 |
| 2024 | 435,000 | 369,438 | 804,438 |
| 2025 | 460,000 | 354,111 | 814,111 |
| 2026 | 475,000 | 338,540 | 813,540 |
| 2027 | 490,000 | 323,876 | 813,876 |
| 2028 | 515,000 | 309,472 | 824,472 |
| 2029 | 530,000 | 295,302 | 825,302 |
| 2030 | 550,000 | 282,475 | 832,475 |
| 2031 | 560,000 | 269,796 | 829,796 |
| 2032 | 585,000 | 256,037 | 841,037 |
| 2033 | 595,000 | 240,835 | 835,835 |
| 2034 | 620,000 | 224,410 | 844,410 |
| 2035 | 635,000 | 207,124 | 842,124 |
| 2036 | 655,000 | 189,017 | 844,017 |
| 2037 | 680,000 | 170,029 | 850,029 |
| 2038 | 705,000 | 150,071 | 855,071 |
| 2039 | 720,000 | 129,088 | 849,088 |
| 2040 | 745,000 | 107,051 | 852,051 |
| 2041 | 770,000 | 84,020 | 854,020 |
| 2042 | 800,000 | 59,904 | 859,904 |
| 2043 | 825,000 | 34,763 | 859,763 |
| 2044 | 565,000 | 11,675 | 576,675 |
| 2045 | 70,000 | 700 | 70,700 |
| | <u>\$ 13,720,000</u> | <u>\$ 5,162,314</u> | <u>\$ 18,882,314</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2021

| Description | Original Bonds Issued | Bonds Outstanding July 1, 2020 |
|---|-----------------------------|--------------------------------------|
| Harris County Municipal Utility District No. 416 Unlimited Tax Bonds - Series 2016 | \$ 5,000,000 | \$ 4,670,000 |
| Harris County Municipal Utility District No. 416 Unlimited Tax Bonds - Series 2017 | 4,950,000 | 4,840,000 |
| Harris County Municipal Utility District No. 416 Unlimited Tax Bonds - Series 2019 | 2,625,000 | 2,625,000 |
| Harris County Municipal Utility District No. 416 Unlimited Tax Road Bonds - Series 2020 | 1,690,000 | |
| Harris County Municipal Utility District No. 416 Unlimited Tax Refunding Bonds - Series 2021 | <u>4,620,000</u> | |
| TOTAL | <u><u>\$ 18,885,000</u></u> | <u><u>\$ 12,135,000</u></u> |

| Bond Authority: | <u>Road Bonds</u> | <u>Water, Sewer and Drainage Tax Bonds</u> | <u>Park and Recreational Facilities Bonds</u> |
|-----------------------------|-----------------------------|--|---|
| Amount Authorized by Voters | \$ 27,225,000 | \$ 36,000,000 | \$ 2,460,000 |
| Amount Issued | <u>1,690,000</u> | <u>12,770,000</u> | |
| Remaining to be Issued | <u><u>\$ 25,535,000</u></u> | <u><u>\$ 23,230,000</u></u> | <u><u>\$ 2,460,000</u></u> |
| | * | * | * |

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

* Includes bonds authorized for refunding purposes.

See accompanying independent auditor's report.

| <u>Current Year Transactions</u> | | | | |
|----------------------------------|---------------------|-------------------|--|--|
| <u>Bonds Sold</u> | <u>Retirements</u> | | <u>Bonds Outstanding June 30, 2021</u> | <u>Paying Agent</u> |
| | <u>Principal</u> | <u>Interest</u> | | |
| \$ | \$ 4,545,000 | \$ 159,665 | \$ 125,000 | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| | 115,000 | 169,455 | 4,725,000 | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| | 65,000 | 90,138 | 2,560,000 | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| 1,690,000 | | 23,633 | 1,690,000 | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| <u>4,620,000</u> | | | <u>4,620,000</u> | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| <u>\$ 6,310,000</u> | <u>\$ 4,725,000</u> | <u>\$ 442,891</u> | <u>\$ 13,720,000</u> | |

Debt Service Fund cash and investment balances as of June 30, 2021 \$ 884,255

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 786,763

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

| | Amounts | | |
|--|-------------------|-------------------|-------------------|
| | 2021 | 2020 | 2019 |
| REVENUES | | | |
| Property Taxes | \$ 319,008 | \$ 250,610 | \$ 222,067 |
| Investment and Miscellaneous Revenues | <u>35,356</u> | <u>546</u> | <u>453</u> |
| TOTAL REVENUES | <u>\$ 354,364</u> | <u>\$ 251,156</u> | <u>\$ 222,520</u> |
| EXPENDITURES | | | |
| Professional Fees | \$ 142,411 | \$ 104,868 | \$ 130,454 |
| Contracted Services | 12,280 | 12,220 | 12,260 |
| Repairs and Maintenance | 69,564 | 49,613 | 11,500 |
| Other | <u>20,045</u> | <u>19,503</u> | <u>17,426</u> |
| TOTAL EXPENDITURES | <u>\$ 244,300</u> | <u>\$ 186,204</u> | <u>\$ 171,640</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ 110,064</u> | <u>\$ 64,952</u> | <u>\$ 50,880</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Developer Advances | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> |
| NET CHANGE IN FUND BALANCE | \$ 110,064 | \$ 64,952 | \$ 50,880 |
| BEGINNING FUND BALANCE | <u>360,850</u> | <u>295,898</u> | <u>245,018</u> |
| ENDING FUND BALANCE | <u>\$ 470,914</u> | <u>\$ 360,850</u> | <u>\$ 295,898</u> |

See accompanying independent auditor's report.

| | | Percentage of Total Revenues | | | | | | |
|--|-------------------------------|------------------------------|------------------------------|-----------------------------|------------------------------|-----------------------|--|--|
| 2018 | 2017 | 2021 | 2020 | 2019 | 2018 | 2017 | | |
| \$ 362,060 222 | \$ 134,262 61 | 90.0 % 10.0 | 99.8 % 0.2 | 99.8 % 0.2 | 99.9 % 0.1 | 100.0 % | | |
| <u>\$ 362,282</u> | <u>\$ 134,323</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | | |
| \$ 99,342 12,140 175,000 24,632 | \$ 78,354 10,045 16,335 | 40.2 % 3.5 19.6 5.7 | 41.8 % 4.9 19.8 7.8 | 58.6 % 5.5 5.2 7.8 | 27.4 % 3.4 48.3 6.8 | 58.3 % 7.5 12.2 | | |
| <u>\$ 311,114</u> | <u>\$ 104,734</u> | <u>69.0 %</u> | <u>74.3 %</u> | <u>77.1 %</u> | <u>85.9 %</u> | <u>78.0 %</u> | | |
| <u>\$ 51,168</u> | <u>\$ 29,589</u> | <u>31.0 %</u> | <u>25.7 %</u> | <u>22.9 %</u> | <u>14.1 %</u> | <u>22.0 %</u> | | |
| <u>\$ 119,500</u> | <u>\$ - 0 -</u> | | | | | | | |
| \$ 170,668 | \$ 29,589 | | | | | | | |
| <u>74,350</u> | <u>44,761</u> | | | | | | | |
| <u>\$ 245,018</u> | <u>\$ 74,350</u> | | | | | | | |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

| | Amounts | | |
|--|---------------------|-------------------|-------------------|
| | 2021 | 2020 | 2019 |
| REVENUES | | | |
| Property Taxes | \$ 801,889 | \$ 678,325 | \$ 537,539 |
| Penalty and Interest | 7,121 | 7,260 | 7,492 |
| Investment and Miscellaneous Revenues | 1,212 | 7,948 | 12,085 |
| TOTAL REVENUES | <u>\$ 810,222</u> | <u>\$ 693,533</u> | <u>\$ 557,116</u> |
| EXPENDITURES | | | |
| Tax Collection Expenditures | \$ 19,358 | \$ 19,154 | \$ 19,168 |
| Debt Service Principal | 300,000 | 225,000 | 110,000 |
| Debt Service Interest and Fees | 447,891 | 419,273 | 338,998 |
| Bond Issuance Costs | 191,366 | | |
| Payment to Refunded Bond Escrow Agent | 50,000 | | |
| TOTAL EXPENDITURES | <u>\$ 1,008,615</u> | <u>\$ 663,427</u> | <u>\$ 468,166</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ (198,393)</u> | <u>\$ 30,106</u> | <u>\$ 88,950</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds From Issuance of Long-Term Debt | \$ 83,350 | \$ | \$ 92,513 |
| Proceeds From Issuance of Refunding Bonds | 4,620,000 | | |
| Transfer to Refunded Bond Escrow Agent | (4,452,639) | | |
| Bond Premium | 32,214 | | |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>\$ 282,925</u> | <u>\$ - 0 -</u> | <u>\$ 92,513</u> |
| NET CHANGE IN FUND BALANCE | \$ 84,532 | \$ 30,106 | \$ 181,463 |
| BEGINNING FUND BALANCE | <u>788,255</u> | <u>758,149</u> | <u>576,686</u> |
| ENDING FUND BALANCE | <u>\$ 872,787</u> | <u>\$ 788,255</u> | <u>\$ 758,149</u> |
| TOTAL ACTIVE RETAIL WATER CONNECTIONS | <u>*</u> | <u>*</u> | <u>*</u> |
| TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS | <u>**</u> | <u>**</u> | <u>**</u> |

* See Note 8

** Wastewater treatment for the District is provided by the individual owners via an onsite aerobic system.

See accompanying independent auditor's report.

Percentage of Total Revenues

| 2018 | 2017 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---------------------|-------------------|-----------------|----------------|----------------|-----------------|----------------|
| \$ 204,738 | \$ 221,645 | 99.0 % | 97.9 % | 96.5 % | 94.2 % | 96.8 % |
| 6,235 | 5,487 | 0.9 | 1.0 | 1.3 | 2.9 | 2.4 |
| 6,382 | 1,941 | 0.1 | 1.1 | 2.2 | 2.9 | 0.8 |
| <u>\$ 217,355</u> | <u>\$ 229,073</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> |
| \$ 12,489 | \$ 11,211 | 2.4 % | 2.8 % | 3.4 % | 5.7 % | 4.9 % |
| 105,000 | | 37.0 | 32.4 | 19.7 | 48.3 | |
| 201,224 | 46,608 | 55.3 | 60.5 | 60.8 | 92.6 | 20.3 |
| | | 23.6 | | | | |
| | | 6.2 | | | | |
| <u>\$ 318,713</u> | <u>\$ 57,819</u> | <u>124.5 %</u> | <u>95.7 %</u> | <u>83.9 %</u> | <u>146.6 %</u> | <u>25.2 %</u> |
| <u>\$ (101,358)</u> | <u>\$ 171,254</u> | <u>(24.5) %</u> | <u>4.3 %</u> | <u>16.1 %</u> | <u>(46.6) %</u> | <u>74.8 %</u> |
| \$ 172,530 | \$ 334,260 | | | | | |
| <u>\$ 172,530</u> | <u>\$ 334,260</u> | | | | | |
| \$ 71,172 | \$ 505,514 | | | | | |
| 505,514 | | | | | | |
| <u>\$ 576,686</u> | <u>\$ 505,514</u> | | | | | |
| <u>*</u> | <u>*</u> | | | | | |
| <u>**</u> | <u>**</u> | | | | | |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2021

District Mailing Address - Harris County Municipal Utility District No. 416
c/o Smith, Murdaugh, Little & Bonham, L.L.P.
2727 Allen Parkway, Suite 1100
Houston, TX 77019

District Telephone Number - (713) 652-6500

| Board Members | Term of Office (Elected or <u>Appointed</u>) | Fees of Office for the year ended <u>June 30, 2021</u> | Expense Reimbursements for the year ended <u>June 30, 2021</u> | <u>Title</u> |
|--------------------------|---|---|--|-------------------|
| Christopher C. Hughes | 05/18 05/22 (Elected) | \$ 2,550 | \$ 121 | President |
| Richard Godwin | 05/18 05/22 (Elected) | \$ 2,400 | \$ 201 | Vice President |
| William L. Shappley, III | 05/18 05/22 (Elected) | \$ 2,700 | \$ 201 | Secretary |
| Thomas A. Cook | 05/20 05/24 (Elected) | \$ 2,100 | \$ 201 | Director |
| Reed Tinsley | 05/20 05/24 (Elected) | \$ 2,400 | \$ 81 | Director |

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

Submission date of most recent District Registration Form: October 11, 2018

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on July 22, 2013. 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. 416
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2021

| Consultants: | <u>Date Hired</u> | <u>Fees for the year ended June 30, 2021</u> | <u>Title</u> |
|---|-------------------|--|----------------------------|
| Smith, Murdaugh, Little & Bonham, L.L.P. | 04/02/13 | \$ 83,107 | General Counsel |
| | 02/23/16 | \$ -0- | Delinquent Tax Attorney |
| | | \$ 99,844 | Bond Counsel |
| McCall Gibson Swedlund Barfoot PLLC | 06/23/15 | \$ 13,000 | Auditor |
| | | \$ 11,500 | Bond Related |
| F. Matuska, Inc. | 04/02/13 | \$ 14,324 | Bookkeeper |
| Edminster, Hinshaw, Russ & Associates, Inc. | 04/02/13 | \$ 66,304 | Engineer |
| Masterson Advisors LLC | 04/24/18 | \$ 89,601 | Financial Advisor |
| Fran Matuska | 04/02/13 | \$ -0- | Investment Officer |
| Bob Leared Interests | 04/02/13 | \$ 15,468 | Tax Assessor/ Collector |

See accompanying independent auditor's report.

