

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
HARRIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
JULY 31, 2016

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northwest Harris County
Municipal Utility District No. 5
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Northwest Harris County Municipal Utility District No. 5 (the "District"), as of and for the year ended July 31, 2016, 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors
Northwest Harris County
Municipal Utility District No. 5

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 July 31, 2016, 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 8, 2016

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2016**

Management’s discussion and analysis of Northwest Harris County Municipal Utility District No. 5’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended July 31, 2016. 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 Fund Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide portion of these statements provides both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of the government-wide financial statements is the Statement of Net Position. The Statement of Net Position is the District-wide statement of its financial position presenting information that includes all of the District’s assets, liabilities and 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 government-wide Statement of Activities reports how the District’s net position changed during the current fiscal year. All current year revenues and expenditures are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

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

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2016**

FUND FINANCIAL STATEMENTS (Continued)

collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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 Fund 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 \$18,450,673 as of July 31, 2016.

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

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

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2016	2015	Change Positive (Negative)
Current and Other Assets	\$ 30,587,449	\$ 18,286,757	\$ 12,300,692
Capital Assets (Net of Accumulated Depreciation)	107,593,709	92,153,808	15,439,901
Total Assets	<u>\$ 138,181,158</u>	<u>\$ 110,440,565</u>	<u>\$ 27,740,593</u>
Deferred Outflows of Resources	\$ 3,110,008	\$ 1,436,093	\$ 1,673,915
Long -Term Liabilities	\$ 93,569,910	\$ 65,953,199	\$ (27,616,711)
Due to Developers	20,362,024	23,064,201	2,702,177
Other Liabilities	8,908,559	6,899,601	(2,008,958)
Total Liabilities	<u>\$ 122,840,493</u>	<u>\$ 95,917,001</u>	<u>\$ (26,923,492)</u>
Net Position:			
Net Investment in Capital Assets	\$ (831,127)	\$ (367,499)	\$ (463,628)
Restricted	9,855,806	8,312,031	1,543,775
Unrestricted	9,425,994	8,015,125	1,410,869
Total Net Position	<u>\$ 18,450,673</u>	<u>\$ 15,959,657</u>	<u>\$ 2,491,016</u>

The following table provides a summary of the District's operations for the years ended July 31, 2016, and July 31, 2015.

	Summary of Changes in the Statement of Activities		
	2016	2015	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 10,375,135	\$ 9,212,591	\$ 1,162,544
Sales Tax Receipts	22,054	24,071	(2,017)
Charges for Services	6,923,332	5,847,371	1,075,961
Other Revenues	314,116	169,533	144,583
Capital Contributions	315,210		315,210
Sale of Capacity		146,157	(146,157)
Total Revenues	<u>\$ 17,949,847</u>	<u>\$ 15,399,723</u>	<u>\$ 2,550,124</u>
Expenses for Services	<u>15,458,831</u>	<u>12,682,012</u>	<u>(2,776,819)</u>
Change in Net Position	\$ 2,491,016	\$ 2,717,711	\$ (226,695)
Net Position, Beginning of Year	<u>15,959,657</u>	<u>13,241,946</u>	<u>2,717,711</u>
Net Position, End of Year	<u>\$ 18,450,673</u>	<u>\$ 15,959,657</u>	<u>\$ 2,491,016</u>

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of July 31, 2016, were \$27,842,790, an increase of \$11,952,364 from the prior year.

The General Fund fund balance increased by \$1,358,920, primarily due to operating revenues exceeding operating expenditures and contributions from other governments.

The Debt Service Fund fund balance increased by \$1,783,797, primarily due to issuance of Series 2016 Unlimited Tax Refunding Bonds and the structure of the District's debt.

The Capital Projects Fund fund balance increased by \$8,809,647, primarily due to the sale of Series 2015-A bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District did not amend the budget during the fiscal year. Actual revenues were \$2,135,716 more than budgeted revenues. Actual expenditures were \$1,239,739 more than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of July 31, 2016, total \$107,593,709 (net of accumulated depreciation) and include land, buildings and equipment as well as the water, wastewater and drainage systems. Significant capital asset events during the current fiscal year included completed projects and additional costs for the Water Plant No. 3 Improvements; Water Plants No. 3 and 4 Expansion; 12" Waterline for Tomball Fire Station No. 5; and Wildwood Lift Station No. 13. Developer funded items completed and recorded as capital assets included facilities to serve Grant Meadows, Sections 3, 4 and 5, Grant Meadows detention pond site, Oakcrest North, Sections 5, 6, 8, 9, 10, 11 and 12, Enclave at Northpointe, Sections 1, 2 and 3, Valencia Pines, Wildwood at Northpointe, Sections 3, 11, 15, 16, 17, 19 and 22, Hayden Lakes, Sections 1, 2, 3, 4, 5, 6, 7, 8 and 10; detention pond, phase II to serve Oakcrest; lift station no. 1 to serve Wildwood; detention phases 1 and 2 and lift station to serve Hayden Lakes; Shaw Road phases 1 and 2; Wildwood at Oakcrest North Sections 14 and 15; offsite force main, ponds A, B and C to serve Oakcrest North; Wildwood Suncrest Canyon; Treeline North; detention to serve Treeline North; storm sewer to serve Tomball ISD; and Sanitary Sewer to serve Surepoint Self Storage.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2016**

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2016	2015	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 8,685,707	\$ 6,529,293	\$ 2,156,414
Construction in Progress		385,713	(385,713)
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	201,377	210,999	(9,622)
Water System	23,334,156	21,945,376	1,388,780
Wastewater System	34,184,267	30,864,254	3,320,013
Drainage System	41,188,202	32,218,173	8,970,029
Total Net Capital Assets	\$ 107,593,709	\$ 92,153,808	\$ 15,439,901

Additional information on the District’s capital assets can be found in Note 6 of this report.

LONG-TERM DEBT ACTIVITY

As of July 31, 2016, the District had total long-term debt payable of \$97,285,000. The changes in the debt position of the District during the fiscal year ended July 31, 2016, are summarized as follows:

Bond Debt Payable, August 1, 2015	\$ 70,510,000
Add: Series 2015-A Bond Sale	31,945,000
Add: Series 2016 Refunding Bond Sale	18,375,000
Less: Bond Principal Paid/Refunded	23,545,000
Bond Debt Payable, July 31, 2016	\$ 97,285,000

The District’s bonds carry an underlying rating of “A2” from Moody’s Investors Service. The Series 2010 Bonds are not rated.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2016**

LONG-TERM DEBT ACTIVITY (Continued)

The Series 2006-B Bonds carry an insured rating of “A2”; and the Series 2013 Bonds and Series 2016 Refunding Bonds carry insured ratings of “A2” and “AA” based on insurance issued by Assured Guaranty Municipal Corporation.

The Series 2008 Bonds carry an insured rating of “A3” and the Series 2009 Bonds carry insured ratings of “A3” and “AA” based on insurance issued by Assured Guaranty Corporation.

The Series 2014 Refunding Bonds carry an insured rating of “AA” based on insurance issued by Municipal Assurance Corporation.

The Series 2015 Refunding Bonds and the Series 2015-A Bonds carry an insured rating of “AA” based on insurance issued by Build America Mutual Assurance Company.

SUBSEQUENT EVENT

Subsequent to year end, on November 17, 2016, the District closed on the sale of Series 2016 Bond Anticipation Note (BAN) in the amount of \$16,355,000. The BAN proceeds were used to reimburse certain developers for 70% of the construction and engineering of facilities to serve Enclave at Northpointe, Section 4, Grant Meadows, Section 5, Hayden Lakes Sections 4, 5, 6, 7, 8 and 10, Oakcrest North, Sections 8, 9, 10, 11 and 12, Oakcrest North, Section 5 partial replat No. 3, Shaw Road, phases 1 and 2, Treeline North, Wildwood at Northpointe, Sections 11 and 22, Wildwood at Oakcrest North, Section 14 and 15, Wildwood Sunset Canyon Drive, Wildwood TISD storm sewer, Surepoint Storage; detention, Phase II to serve Hayden Lakes; sanitary sewer extension to serve Wildwood at Northpointe Commons South; off-site force main to serve Wildwood at Oakcrest; ponds A, B and C to serve Wildwood at Oakcrest; underground power to serve Hayden Lakes lift station; land acquisition costs; and costs of issuance of the BAN.

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 Northwest Harris County Municipal Utility District No. 5, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, TX 77019.

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**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2016**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 2,839,135	\$ 474,781
Investments	5,559,902	7,630,385
Cash with Harris County Tax Office		4,864
Receivables:		
Property Taxes	5,453	100,773
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$4,000)	761,923	
Accrued Interest	411	261
Other	84,096	
Due from City of Houston	5,938	
Due from Other Funds	706,759	641
Prepaid Costs	39,897	
Advance for Regional Wastewater Treatment Plant Operations	64,036	
Regional Water Authority Chloramine Conversion Receivable		
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 10,067,550	\$ 8,211,705
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 10,067,550	\$ 8,211,705

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>
\$ 1,953,730	\$ 5,267,646	\$	\$ 5,267,646
10,070,166	23,260,453		23,260,453
	4,864		4,864
	106,226		106,226
		37,599	37,599
	761,923		761,923
	672		672
	84,096		84,096
	5,938		5,938
	707,400	(707,400)	
	39,897	119,676	159,573
	64,036		64,036
		834,423	834,423
		8,685,707	8,685,707
		98,908,002	98,908,002
<u>\$ 12,023,896</u>	<u>\$ 30,303,151</u>	<u>\$ 107,878,007</u>	<u>\$ 138,181,158</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,110,008</u>	<u>\$ 3,110,008</u>
<u>\$ 12,023,896</u>	<u>\$ 30,303,151</u>	<u>\$ 110,988,015</u>	<u>\$ 141,291,166</u>

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

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2016**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 332,016	\$
Accrued Interest Payable		
Due to Other Governments	354,756	
Due to Developers		
Due to Other Funds	641	
Security Deposits	866,842	
Accrued Bond Interest Received at Time of Sale		51,721
Unearned Tap Revenues	41,400	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	\$ 1,595,655	\$ 51,721
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 5,453	\$ 100,773
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 39,897	\$
Advance for Wastewater Treatment Plant Operations	64,036	
Restricted for Authorized Construction:		
Bond Proceeds		
Net Investment Revenues		
Restricted for Debt Service		8,059,211
Unassigned	8,362,509	
TOTAL FUND BALANCES	\$ 8,466,442	\$ 8,059,211
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,067,550	\$ 8,211,705
NET POSITION		
Net Investment in Capital Assets		
Restricted for:		
Debt Service		
Capital Projects		
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>
\$	\$ 332,016	\$	\$ 332,016
		688,545	688,545
	354,756		354,756
		20,362,024	20,362,024
706,759	707,400	(707,400)	
	866,842		866,842
	51,721	(51,721)	
	41,400		41,400
		6,625,000	6,625,000
		93,569,910	93,569,910
<u>\$ 706,759</u>	<u>\$ 2,354,135</u>	<u>\$ 120,486,358</u>	<u>\$ 122,840,493</u>
<u>\$ -0-</u>	<u>\$ 106,226</u>	<u>\$ (106,226)</u>	<u>\$ -0-</u>
\$	\$ 39,897	\$ (39,897)	\$
	64,036	(64,036)	
9,022,090	9,022,090	(9,022,090)	
2,295,047	2,295,047	(2,295,047)	
	8,059,211	(8,059,211)	
	8,362,509	(8,362,509)	
<u>\$ 11,317,137</u>	<u>\$ 27,842,790</u>	<u>\$ (27,842,790)</u>	<u>\$ - 0 -</u>
<u>\$ 12,023,896</u>	<u>\$ 30,303,151</u>		
		\$ (831,127)	\$ (831,127)
		7,560,759	7,560,759
		2,295,047	2,295,047
		9,425,994	9,425,994
		<u>\$ 18,450,673</u>	<u>\$ 18,450,673</u>

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

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JULY 31, 2016**

Total Fund Balances - Governmental Funds \$ 27,842,790

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

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 3,110,008

Bond insurance premiums paid at closing are amortized over the term of the debt in the government-wide financial statements. 119,676

Long-term receivables are not current financial resources and, therefore, are not reported as assets in the governmental funds. 834,423

Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 107,593,709

Deferred tax revenues and penalty and interest receivable on delinquent taxes for the 2015 and prior tax levies became part of recognized revenues in the governmental activities of the District. 143,825

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 Developers	\$ (20,362,024)	
Accrued Interest Payable	(636,824)	
Bonds Payable Within One Year	(6,625,000)	
Bonds Payable After One Year	<u>(93,569,910)</u>	<u>(121,193,758)</u>

Total Net Position - Governmental Activities \$ 18,450,673

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

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**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2016**

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 666,693	\$ 9,705,849
Sales Tax Receipts	22,054	
Water Service	1,849,447	
Wastewater Service	1,842,170	
Regional Water Authority Fees	2,227,266	
Penalty and Interest	74,783	34,927
Tap Connection and Inspection Fees	889,455	
Investment Revenues	13,703	21,709
Regional Water Authority Reimbursements	64,995	
Capital Contributions		
Miscellaneous Revenues	204,650	
TOTAL REVENUES	<u>\$ 7,855,216</u>	<u>\$ 9,762,485</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 402,834	\$ 7,273
Contracted Services	1,539,550	91,449
Purchased Water Service	586,376	
Purchased Wastewater Service	290,517	
Utilities	485,804	
Regional Water Authority Assessments	1,452,404	
Repairs and Maintenance	908,491	
Depreciation		
Other	844,833	3,128
Capital Outlay	308,097	
Debt Service:		
Bond Principal		4,940,000
Bond Interest		2,936,838
Bond Issuance Costs	6,833	510,621
TOTAL EXPENDITURES/EXPENSES	<u>\$ 6,825,739</u>	<u>\$ 8,489,309</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,029,477</u>	<u>\$ 1,273,176</u>
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ 14,233	\$
Long-Term Debt Issued		
Refunding Bonds		18,375,000
Payment to Refunded Bond Escrow Agent		(19,949,831)
Bond Premium		2,085,452
Contributed by Other Governments	315,210	
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 329,443</u>	<u>\$ 510,621</u>
NET CHANGE IN FUND BALANCES	\$ 1,358,920	\$ 1,783,797
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - AUGUST 1, 2015	<u>7,107,522</u>	<u>6,275,414</u>
FUND BALANCES/NET POSITION - JULY 31, 2016	<u>\$ 8,466,442</u>	<u>\$ 8,059,211</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 10,372,542	\$ 2,593	\$ 10,375,135
	22,054		22,054
	1,849,447		1,849,447
	1,842,170		1,842,170
	2,227,266		2,227,266
	109,710	5,284	114,994
	889,455		889,455
23,143	58,555	50,911	109,466
	64,995	(64,995)	
		315,210	315,210
	204,650		204,650
<u>\$ 23,143</u>	<u>\$ 17,640,844</u>	<u>\$ 309,003</u>	<u>\$ 17,949,847</u>
\$ 612	\$ 410,719	\$	\$ 410,719
	1,630,999		1,630,999
	586,376		586,376
	290,517		290,517
	485,804		485,804
	1,452,404		1,452,404
	908,491		908,491
		3,125,360	3,125,360
4,431	852,392		852,392
21,421,651	21,729,748	(21,267,438)	462,310
	4,940,000	(4,940,000)	
	2,936,838	151,721	3,088,559
1,717,569	2,235,023	(70,123)	2,164,900
<u>\$ 23,144,263</u>	<u>\$ 38,459,311</u>	<u>\$ (23,000,480)</u>	<u>\$ 15,458,831</u>
\$ (23,121,120)	\$ (20,818,467)	\$ 20,818,467	\$ -0-
\$ (14,233)	\$	\$	\$
31,945,000	31,945,000	(31,945,000)	
	18,375,000	(18,375,000)	
	(19,949,831)	19,949,831	
	2,085,452	(2,085,452)	
	315,210	(315,210)	
<u>\$ 31,930,767</u>	<u>\$ 32,770,831</u>	<u>\$ (32,770,831)</u>	<u>\$ -0-</u>
\$ 8,809,647	\$ 11,952,364	\$ (11,952,364)	\$
		2,491,016	2,491,016
2,507,490	15,890,426	69,231	15,959,657
<u>\$ 11,317,137</u>	<u>\$ 27,842,790</u>	<u>\$ (9,392,117)</u>	<u>\$ 18,450,673</u>

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

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2016**

Net Change in Fund Balances - Governmental Funds	\$ 11,952,364
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.	2,593
Governmental funds report penalty and interest revenues on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when penalty and interest are assessed.	5,284
Governmental funds report Regional Water Authority credits as revenues. However, in the government-wide financial statements, the principal portion of the credits decreases long-term receivables and the balance is recorded as investment revenue.	(14,084)
Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(3,125,360)
Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities.	21,267,438
Governmental funds report bond insurance costs as expenditures and bond discounts and bond premiums as other financing sources/uses in the year paid. However, in the government-wide financial statements, bond insurance costs, bond discounts and bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in interest expense.	(2,015,329)
Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.	4,940,000
Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the debt through fiscal year-end.	(151,721)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(50,320,000)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, in government-wide financial statements, long-term liabilities are decreased by the amount of the bonds refunded and the difference is recorded as a deferred outflow of resources and systematically charged to interest expense.	<u>19,949,831</u>
Change in Net Position - Governmental Activities	<u>\$ 2,491,016</u>

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

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2016**

NOTE 1. CREATION OF DISTRICT

Northwest Harris County Municipal Utility District No. 5, located in Harris County, Texas (the “District”) was created effective December 3, 1974 by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 54 and 49 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 April 10, 1975, and the first bonds were delivered on July 6, 1977.

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

The District has entered into a joint venture with Northwest Harris County Municipal Utility District No. 15 (“District No. 15”), Harris County Municipal Utility District No. 273, Harris County Municipal Utility District No. 280, Harris County Municipal Utility District No. 281 and Harris County Municipal Utility District No. 282 for waste disposal through the North Pointe Regional Wastewater Treatment Plant. Currently, District No. 15 has operating and oversight responsibility over the wastewater treatment plant. Additional disclosure concerning this joint venture is provided in Note 10.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2016**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2016**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (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 Governmental Funds Balance Sheet and a Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers these funds to be major funds.

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

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

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

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues 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.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2016**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenues 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 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.

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. Developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost of \$25,000 or more and an estimated useful life of at least two years following the date of acquisition. 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:

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

Budgeting

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

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2016**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, liabilities, and deferred inflows and outflows of resources 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 Governmental Funds 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 formal action by the Board. The District does not have any committed fund balances.

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

Unassigned: all other spendable amounts in the General Fund.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2016**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Series 2006-A	Series 2006-B	
Amount Outstanding – July 31, 2016	\$ 670,000	\$ 505,000	
Interest Rates	4.50%	4.00%	
Maturity Dates - Serially Beginning/Ending	May 1, 2017	May 1, 2017	
Interest Payment Dates	November 1/ May 1	November 1/ May 1	
Callable Dates	May 1, 2016*	May 1, 2016*	
	Series 2008	Series 2009	Refunding Series 2010
Amount Outstanding – July 31, 2016	\$ 1,920,000	\$ 1,860,000	\$ 7,265,000
Interest Rates	4.00%	3.75% - 4.00%	3.25%
Maturity Dates - Serially Beginning/Ending	May 1, 2017/2020	May 1, 2017/2020	May 1, 2023
Interest Payment Dates	November 1/ May 1	November 1/ May 1	November 1/ May 1
Callable Dates	May 1, 2019*	May 1, 2019*	May 1, 2020*

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2016**

NOTE 3. LONG-TERM DEBT (Continued)

	<u>Series 2013</u>	<u>Refunding Series 2014</u>	<u>Refunding Series 2015</u>
Amount Outstanding – July 31, 2016	\$ 8,725,000	\$ 8,685,000	\$ 17,335,000
Interest Rates	2.00% - 3.125%	2.00% - 3.50%	3.00% - 3.50%
Maturity Dates - Serially Beginning/Ending	May 1, 2017/2034	May 1, 2017/2023	May 1, 2017/2027
Interest Payment Dates	November 1/ May 1	November 1/ May 1	November 1/ May 1
Callable Dates	May 1, 2021*	Not Applicable	May 1, 2022*
		<u>Series 2015-A</u>	<u>Refunding Series 2016</u>
Amount Outstanding – July 31, 2016		\$ 31,945,000	\$ 18,375,000
Interest Rates		2.00% - 4.00%	2.00% - 4.00%
Maturity Dates - Serially Beginning/Ending		May 1, 2017/2026, 2028, 2029/2040	May 1, 2017/2032
Interest Payment Dates		November 1/ May 1	November 1/ May 1
Callable Dates		May 1, 2023*	May 1, 2025*

* Or on any date thereafter, in whole or in part, at the option of the District, at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Refunding Series 2010 bonds are term bonds subject to mandatory redemption beginning May 1, 2011, by lot or other customary random method. The Series 2015-A term bonds maturing May 1, 2028, are subject to mandatory redemption beginning May 1, 2027, by lot or other customary random method.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2016**

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2016:

	August 1, 2015	Additions	Retirements	July 31, 2016
Bonds Payable	\$ 70,510,000	\$ 50,320,000	\$ 23,545,000	\$ 97,285,000
Unamortized Discounts	(685,263)		(551,143)	(134,120)
Unamortized Premiums	1,068,462	2,085,452	109,884	3,044,030
Bonds Payable, Net	<u>\$ 70,893,199</u>	<u>\$ 52,405,452</u>	<u>\$ 23,103,741</u>	<u>\$ 100,194,910</u>
			Amount Due Within One Year	\$ 6,625,000
			Amount Due After One Year	93,569,910
			Bonds Payable, Net	<u>\$ 100,194,910</u>

As of July 31, 2016, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 6,625,000	\$ 3,112,245	\$ 9,737,245
2018	6,670,000	3,013,613	9,683,613
2019	6,355,000	2,792,587	9,147,587
2020	6,105,000	2,577,026	8,682,026
2021	6,315,000	2,368,238	8,683,238
2022-2026	30,335,000	8,898,600	39,233,600
2027-2031	19,155,000	4,599,417	23,754,417
2032-2036	10,405,000	1,793,583	12,198,583
2037-2040	5,320,000	472,148	5,792,148
	<u>\$ 97,285,000</u>	<u>\$ 29,627,457</u>	<u>\$ 126,912,457</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. The District has authorized but unissued tax bonds totaling \$96,455,000 for utilities and refundings, and \$8,000,000 for parks and recreation.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2016**

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended July 31, 2016, the District levied an ad valorem debt service tax at the rate of \$0.74 per \$100 of assessed valuation, which resulted in a tax levy of \$9,712,628 on the adjusted taxable valuation of \$1,312,556,837 for the 2015 tax year. The bond orders require the District 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 maintenance tax levy.

The District's tax calendar is as follows:

Levy Date	- October 1 or as soon thereafter as practicable.
Lien Date	- January 1.
Due Date	- Not later than January 31.
Delinquent Date	- February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

- A. 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 each 5th-year anniversary of each issue. The final arbitrage rebate report was issued on the Series 2004 bonds. The 5th year arbitrage rebate reports were issued on the Series 2006-B, Series 2008, Series 2009 and Series 2010 bonds. The 10th year arbitrage rebate report was issued on the Series 2006-A bonds. The reports reflect that the District did not have a rebate obligation to the federal government on these issues.
- B. The bond orders state that the District is required to annually provide continuing disclosure of certain general financial information and operating data to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. 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.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2016**

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 \$7,002,514 and the bank balances were \$7,106,165. Of the bank balances, \$1,564,296 was covered by federal depository insurance, and the balance was covered by pledged collateral held in a third-party depository in the District's name.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at July 31, 2016, as listed below:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 2,839,135	\$ 245,000	\$ 3,084,135
DEBT SERVICE FUND	474,781	1,489,868	1,964,649
CAPITAL PROJECTS FUND	<u>1,953,730</u>	<u> </u>	<u>1,953,730</u>
TOTAL DEPOSITS	<u>\$ 5,267,646</u>	<u>\$ 1,734,868</u>	<u>\$ 7,002,514</u>

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2016**

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. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

All investments are recorded at cost, which the District considers to be fair value. 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. The fair value of the District's position in the pool is the same as the value of the pool shares.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2016**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of July 31, 2016, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
TexPool	\$ 2,193,870	\$ 2,193,870	\$	\$	\$
Money Market Mutual Funds	3,121,032	3,121,032			
Certificates of Deposit	245,000	245,000			
<u>DEBT SERVICE FUND</u>					
TexPool	5,962,090	5,962,090			
Money Market Mutual Funds	178,427	178,427			
Certificates of Deposit	1,489,868	1,489,868			
<u>CAPITAL PROJECTS FUND</u>					
TexPool	8,974,215	8,974,215			
Money Market Mutual Funds	<u>1,095,951</u>	<u>1,095,951</u>			
TOTAL INVESTMENTS	<u>\$ 23,260,453</u>	<u>\$ 23,260,453</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At July 31, 2016, the District's investments in TexPool were rated "AAAm" and the money market mutual funds were rated "AAAm" from Standard and Poor's and/or Aaa-mf from Moody's Investor Service. The District also manages credit risk by investing in certificates of deposit with balances covered in accordance with Texas statutes.

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 and the money market mutual funds 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 deposits with maturities of approximately one year or less.

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.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2016**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended July 31, 2016:

	August 1, 2015	Increases	Decreases	July 31, 2016
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 6,529,293	\$ 2,156,414	\$	\$ 8,685,707
Construction in Progress	385,713	18,565,261	18,950,974	
Total Capital Assets Not Being Depreciated	\$ 6,915,006	\$ 20,721,675	\$ 18,950,974	\$ 8,685,707
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 383,826	\$	\$	\$ 383,826
Water System	28,813,609	2,278,054		31,091,663
Wastewater System	39,014,535	4,493,897		43,508,432
Drainage System	38,522,478	10,022,609		48,545,087
Other	205,020			205,020
Total Capital Assets Subject to Depreciation	\$ 106,939,468	\$ 16,794,560	\$ - 0 -	\$ 123,734,028
Accumulated Depreciation				
Buildings and Improvements	\$ 172,827	\$ 9,622	\$	\$ 182,449
Water System	6,868,233	889,274		7,757,507
Wastewater System	8,150,281	1,173,884		9,324,165
Drainage System	6,304,305	1,052,580		7,356,885
Other	205,020			205,020
Total Accumulated Depreciation	\$ 21,700,666	\$ 3,125,360	\$ - 0 -	\$ 24,826,026
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 85,238,802	\$ 13,669,200	\$ - 0 -	\$ 98,908,002
Total Capital Assets, Net of Accumulated Depreciation	\$ 92,153,808	\$ 34,390,875	\$ 18,950,974	\$ 107,593,709

The District has financed certain drainage facilities which have been conveyed to other entities for maintenance. Capital assets are added above when the facilities are placed into service.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2016**

NOTE 7. MAINTENANCE TAX

On April 3, 1976, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.15 per \$100 of assessed valuation of taxable property within the District. On May 7, 1988, the voters agreed to increase the amount of maintenance tax not to exceed \$0.50 per \$100 of assessed valuation. During the year ended July 31, 2016, the District levied an ad valorem maintenance tax at the rate of \$0.05 per \$100 of assessed valuation, which resulted in a tax levy of \$656,259 on the adjusted taxable valuation of \$1,312,556,837 for the 2015 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

NOTE 8. WATER SUPPLY CONTRACTS

Faulkey Gully Municipal Utility District and Grant Road Public Utility District

On January 12, 1987, the District executed an emergency water supply contract with Faulkey Gully Municipal Utility District ("Faulkey Gully") and Grant Road Public Utility District ("Grant Road"). Faulkey Gully constructed the interconnect and the other two districts funded their share by supplying water to Faulkey Gully. The term of this contract is 40 years. The contract rate for water is \$100 per day that the interconnect is open. On November 1, 1989, this contract was supplemented to provide for the purchase of water on a non-emergency basis. The rate for non-emergency usage is \$0.90 per 1,000 gallons. This contract was terminated on March 19, 2015.

Harris County Municipal Utility District No. 360

On June 13, 1994, as amended on June 14, 2000, the District entered into an emergency water supply contract with Harris County Municipal Utility District No. 360 ("District No. 360"). The contract requires District No. 360 to construct, at its own cost, the 8" water lines necessary to connect the systems. Each district shall be responsible for maintaining its respective interconnect lines within its boundaries at its sole cost. Each district shall own and have title to its respective interconnect line. The term of the contract is 40 years.

The price to be paid for water delivered during an emergency shall be billed at a rate of \$0.50 per 1,000 gallons of "average daily usage" for the number of days water is received. In the event that the supplying district had to purchase all or a portion of the water supplied, then the rate per 1,000 gallons shall be the greater of the rate paid by the supplying district for such water or \$0.50. If the supplying district has converted to use surface water in whole or in part, the rate per 1,000 gallons shall be the actual costs to the supplying district to purchase surface water, or the \$0.50 rate shall be increased by the amount of the fees imposed by such regional water authority or governmental entity.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2016**

NOTE 8. WATER SUPPLY CONTRACTS (Continued)

Harris County Municipal Utility District No. 416

On February 14, 2007, the District and District No. 416 entered into a Water Facilities Contract ("Water Facilities Contract"). On April 4, 2007, the District purchased the water well and water plant located in District No. 416 for \$2,185,150. Pursuant to the Water Facilities Contract, District No. 416 held the option to repurchase 50 percent of the capacity within one year for 50 percent of the purchase price plus interest calculated at the rate at which the District financed the purchase. District No. 416 was unable to exercise the option to repurchase and the Water Facilities Contract was terminated by the Water Supply Agreement.

On August 15, 2013, the District and District No. 416 entered into the Water Supply Agreement by and between Harris County Municipal Utility District No. 416 and Northwest Harris County Municipal Utility District No. 5 ("Water Supply Agreement"). Pursuant to the Water Supply Agreement, District No. 416 relinquished any right to the water well and plant located within District No. 416 and the District agreed to provide water service to up to 300 equivalent single-family connections to District No. 416. District No. 416 will design and construct all water distribution facilities and will purchase water capacity from the District at a cost of \$1,500.00 per connection to provide service to customers within District No. 416. Upon completion and acceptance by District No. 416 and developer reimbursement, the water distribution facilities will be conveyed to the District, which will assume responsibility for their maintenance and operation.

NOTE 9. LEASE AGREEMENT AND MAINTENANCE AND OPERATING AGREEMENT - ADMINISTRATION BUILDING

On March 16, 1995, the District entered into an agreement to lease from Fairwood Homeowners Association (the "HOA") the land on which the District's administration building is constructed. The lease is for a term of 40 years from the date of this agreement, except if the District is annexed by the City of Houston, the agreement shall terminate upon the date of annexation. The District agreed to pay rent to the HOA at the rate of \$1.00 per year, in advance, for the term of the lease. The District agreed to construct a district administration building on the premises and pay all real property taxes during the term of the lease. The leased premises shall be used only for the construction and use of an administration building. The District further agreed to provide its own property and liability insurance for all of the District's personal property located on the premises.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2016**

NOTE 9. LEASE AGREEMENT AND MAINTENANCE AND OPERATING AGREEMENT - ADMINISTRATION BUILDING (Continued)

On March 16, 1995, the District and the HOA entered into an operation and maintenance agreement to arrange for the shared use and operation of the administration building for the term of the lease agreement. On June 1, 1998, the District and the HOA entered into a maintenance and operating agreement which terminated the prior agreement. The District agreed to pay all operating and maintenance costs for the building from the date of completion and occupancy of the building until two years following completion. Upon expiration of the two years following the date of completion of the building and until the expiration or termination of the lease agreement, the HOA will pay all costs of maintaining and repairing the building up to and including \$100. The District agreed to pay for all maintenance and repair costs in excess of \$100. However, the District agreed to pay all of maintenance and repair costs related to the conference room.

The District and the HOA agree that any revenues generated from the use of the building must be used to maintain the building, including normal recurring maintenance and repairs, regardless of the cost of repairs. The District's obligation to pay extraordinary maintenance and repair costs shall arise only if the revenue generated by the building is insufficient to pay the cost of repairs.

NOTE 10. WASTE DISPOSAL AGREEMENT

The District is a participant in a 2,613,350 gallon per-day ("gpd") regional wastewater treatment plant that is operated by Northwest Harris County Municipal Utility District No. 15 (the "Plant"). The District originally purchased rights to 1,055,600 gpd which is 40.39% of the capacity. On March 1, 2010, the District sold 28,350 gpd of its capacity in the Plant to Harris County Municipal Utility District No. 281 at a purchase price of \$99,225. On May 6, 2015, the District approved the sale of wastewater treatment capacity in the Plant to Harris County MUD 282 in the amount of \$245,478 for 70,000 gpd of wastewater capacity. On July 1, 2015, the District approved the sale of wastewater treatment capacity in the Plant to Harris County MUD 273 in the amount of \$542,225 for 148,000 gpd of wastewater capacity. After this transaction, the District owns rights to 809,250 gpd which is 30.97% of the capacity. The term of the agreement is for a period of 40 years from March 1, 2010.

Each party owning capacity in the Plant appoints one member of its Board of Directors or its general manager to serve on an operations committee to oversee the operation and maintenance of the Plant. All costs incurred in connection with the meetings and activities of the operations committee shall be costs of the Plant. During the current fiscal year, the District maintained a reserve of \$64,036 and recorded current operating costs of \$290,517. The following summary

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2016**

NOTE 10. WASTE DISPOSAL AGREEMENT (Continued)

financial data of the wastewater treatment plant is presented for the fiscal year ending September 30, 2015. Separate financial statements are not issued on this joint venture.

	Joint Venture
Total Assets	\$ 270,680
Total Liabilities	213,092
Total Fund Balance	\$ 57,588
Total Revenues	\$ 805,109
Total Expenditures	805,109
Transfer In	6,991
Net Change in Fund Balance	\$ 6,991
Beginning Fund Balance – October 1, 2014	50,597
Ending Fund Balance – September 30, 2015	\$ 57,588

NOTE 11. 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 seventy-fifth 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.

The Authority currently 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 rate is \$2.40 per 1,000 gallons of water pumped from each well. The District recorded an expenditure of \$1,452,404 for fees assessed during the current fiscal year.

The District started purchasing water from the Authority in December of 2010. The current rate is \$2.85 per 1,000 gallons of water purchased. The District recorded an expenditure of \$586,376 for water purchased from the Authority during the current fiscal year.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2016**

NOTE 11. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
(Continued)

The District funded the construction costs for the conversion to surface water based on their capacity in the water supply facilities. The total cost of the project approved by the Authority for reimbursement is \$894,644, which will be credited to the District over 30 years at a rate of 6%. The District began taking monthly credits of \$5,416.24 in November 2011.

Future repayments are as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 14,929	\$ 50,065	\$ 64,994
2018	15,825	49,170	64,995
2019	16,775	48,220	64,995
2020	17,781	47,214	64,995
2021	18,848	46,147	64,995
2022-2026	112,623	212,351	324,974
2027-2031	150,715	174,259	324,974
2032-2036	201,691	123,284	324,975
2037-2041	269,908	55,067	324,975
2042	15,328	232	15,560
	\$ 834,423	\$ 806,009	\$ 1,640,432

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

Effective December 20, 2007, the District entered into a Strategic Partnership Agreement (“SPA”) with the City of Houston, Texas. Under the agreement, and in accordance with Subchapter F of Chapter 43 of the Texas Local Government Code, the City has annexed the District for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the District. Effective May 14, 2013, the District entered into the First Amended and Restated Strategic Partnership Agreement with the City of Houston. This agreement confirms the terms of the original agreement and provides for the limited purpose annexation by the City of additional land in the District.

The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District. The taxable property within the District is not liable for any present or future debts of the City, and current and future taxes levied by the City may not be levied on taxable property within the District. The City’s municipal courts have jurisdiction to adjudicate criminal cases filed under the Planning, Zoning, Health and Safety Ordinances and certain state laws. The District’s assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period preceding full-purpose annexation. The City may

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2016**

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT (Continued)

not annex the District for full purposes until eight years after at least 90 percent of the District's water, wastewater and drainage facilities have been developed and the developer(s) reimbursed by the District (or the City has assumed obligation for such reimbursement). The District will pay an annual \$100 fee to the City for the provision of city services in lieu of full-purpose annexation. The qualified voters of the District may vote in City elections pursuant to Local Government Code. The City is responsible for notifying the voters within the District.

The City shall impose a Sales and Use Tax within the boundaries of the District under the SPA on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under future amendments to Chapter 321 of the Tax Code. The City agrees to pay to the District an amount equal to one-half of all Sales and Use Tax receipts generated within the District. The sales tax became effective on January 1, 2008. The City agrees to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Controller's office. During the current fiscal year, the District recorded \$22,054 in sales tax receipts, of which \$5,938 was receivable from the City.

The term of this SPA is 30 years from the effective date of December 20, 2007.

NOTE 13. UNREIMBURSED COSTS

As of July 31, 2016, five developers had advanced approximately \$20,362,024 to the District for easements, detention and water, sewer and drainage facilities currently used by the District. This liability, and the related facilities, has been recorded in the Statement of Net Position.

NOTE 14. INTERFUND BALANCES AND TRANSFERS

The Capital Projects Fund owes the General Fund \$475,604 for projects previously paid by the General Fund and payable from bond proceeds plus \$231,155 for the cost of the Telge Road water line relocation. The General Fund owes the Debt Service Fund \$641 for excess proceeds from the Series 2015 Refunding bonds.

NOTE 15. 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.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2016**

NOTE 16. USE OF SURPLUS FUNDS

On August 21, 2014, the District approved the use of surplus Capital Projects Fund monies in accordance with Rule 30 T.A.C. 293.83(c)(3) of the Commission for the Oakcrest Lift Station and 6-inch Force Main, Telge Road water line relocation and Water Plant Nos. 1 and 2 hydropneumatic tank recoating. The Oakcrest Lift Station and 6-inch Force Main and Water Plant Nos. 1 and 2 hydropneumatic tank recoating projects were completed in the prior fiscal year. During the current fiscal year, the District expended \$231,155 for its share of the Telge Road water line relocation.

NOTE 17. BOND SALES

On November 12, 2015, the District closed on the sale of its Series 2015-A \$31,945 000 Unlimited Tax Bonds. The District used proceeds of the bonds to reimburse developers for the costs associated with the construction and engineering of facilities to serve Grant Meadows, Sections 3 and 4, Oakcrest North, Sections 5 and 6, Enclave at Northpointe, Sections 1, 2 and 3, Valencia Pines, Wildwood at Northpointe, Sections 3, 15, 16, 17 and 19, Hayden Lakes, Sections 1, 2 and 3; detention pond, phase II to serve Oakcrest; lift station no. 1 to serve Wildwood; detention phase 1 and lift station to serve Hayden Lakes; West Grant Road sanitary improvements and on-site lift station, Water Plant No. 3 and 4 improvements, land acquisition; and bond issuance costs.

On July 27, 2016, the District closed on the sale of its Series 2016 \$18,375,000 Unlimited Tax Refunding Bonds to refund a portion of outstanding Series 2006-A bonds in the amount of \$1,075,000, Series 2008 bonds in the amount of \$8,715,000 and Series 2009 bonds in the amount of \$8,815,000. Bond proceeds of \$19,949,831 were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The effect of the refunding was to decrease the District's total debt service requirements by \$1,566,431 and at the same time obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,248,348.

Series	Interest Rates	Maturities	Callable Dates	Outstanding at July 31, 2016
2006-A	3.500%	2027	08/02/16	\$ 1,075,000
2008	4.125%-5.000%	2022-2032	05/01/18	8,715,000
2009	4.000%-4.750%	2021-2032	05/01/18	8,815,000
				<u>\$ 18,605,000</u>

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2016**

NOTE 18. SUBSEQUENT EVENT

Subsequent to year end, on November 17, 2016, the District closed on the sale of Series 2016 Bond Anticipation Note (BAN) in the amount of \$16,355,000. The BAN proceeds were used to reimburse certain developers for 70% of the construction and engineering of facilities to serve Enclave at Northpointe, Section 4, Grant Meadows, Section 5, Hayden Lakes Sections 4, 5, 6, 7, 8 and 10, Oakcrest North, Sections 8, 9, 10, 11 and 12, Oakcrest North, Section 5 partial replat No. 3, Shaw Road, phases 1 and 2, Treeline North, Wildwood at Northpointe, Sections 11 and 22, Wildwood at Oakcrest North, Section 14 and 15, Wildwood Sunset Canyon Drive, Wildwood TISD storm sewer, Surepoint Storage; detention, Phase II to serve Hayden Lakes; sanitary sewer extension to serve Wildwood at Northpointe Commons South; off-site force main to serve Wildwood at Oakcrest; ponds A, B and C to serve Wildwood at Oakcrest; underground power to serve Hayden Lakes lift station; land acquisition costs; and costs of issuance of the BAN.

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NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
REQUIRED SUPPLEMENTARY INFORMATION
JULY 31, 2016

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JULY 31, 2016**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 375,000	\$ 666,693	\$ 291,693
Sales Tax Receipts	24,000	22,054	(1,946)
Water Service	1,525,000	1,849,447	324,447
Wastewater Service	1,725,000	1,842,170	117,170
Regional Water Authority Fees	1,630,000	2,227,266	597,266
Penalty and Interest	68,000	74,783	6,783
Tap Connection and Inspection Fees	300,000	889,455	589,455
Investment Revenues	7,500	13,703	6,203
Regional Water Authority Reimbursements	65,000	64,995	(5)
Miscellaneous Revenues		204,650	204,650
TOTAL REVENUES	\$ 5,719,500	\$ 7,855,216	\$ 2,135,716
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 335,000	\$ 402,834	\$ (67,834)
Contracted Services	1,553,600	1,539,550	14,050
Purchased Water Service	400,500	586,376	(185,876)
Purchased Wastewater Service	315,000	290,517	24,483
Utilities	426,000	485,804	(59,804)
Regional Water Authority Assessments	1,125,000	1,452,404	(327,404)
Repairs and Maintenance	819,275	908,491	(89,216)
Other	611,625	844,833	(233,208)
Capital Outlay		308,097	(308,097)
Debt Service			
Bond Issuance Costs		6,833	(6,833)
TOTAL EXPENDITURES	\$ 5,586,000	\$ 6,825,739	\$ (1,239,739)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 133,500	\$ 1,029,477	\$ 895,977
OTHER FINANCING SOURCES(USES)			
Transfers In	\$	\$ 14,233	\$ 14,233
Contributed by Other Governments		315,210	315,210
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ 329,443	\$ 329,443
NET CHANGE IN FUND BALANCE	\$ 133,500	\$ 1,358,920	\$ 1,225,420
FUND BALANCE - AUGUST 1, 2015	7,107,522	7,107,522	
FUND BALANCE - JULY 31, 2016	\$ 7,241,022	\$ 8,466,442	\$ 1,225,420

See accompanying independent auditor's report.

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NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
JULY 31, 2016

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2016**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective on July 19, 2012.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 12.25	5,000	N	\$ 1.25 \$ 1.75 \$ 2.25 \$ 2.75 \$ 3.25	5,001 to 10,000 10,001 to 15,000 15,001 to 20,000 20,001 to 25,000 25,001 and up
WASTEWATER:	\$27.75 *		Y		
SURCHARGE:					
Regional Water Authority Fees				\$ 2.85	1,000 and up

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$18.50 Wastewater: \$27.75 Surcharge: \$28.50 Total: \$74.75

* Includes solid waste disposal

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2016**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	<u>5,504</u>	<u>5,487</u>	x 1.0	<u>5,487</u>
1"	<u>410</u>	<u>409</u>	x 2.5	<u>1,023</u>
1½"	<u>12</u>	<u>12</u>	x 5.0	<u>60</u>
2"	<u>79</u>	<u>79</u>	x 8.0	<u>632</u>
3"	<u>1</u>	<u>1</u>	x 15.0	<u>15</u>
4"	<u>2</u>	<u>2</u>	x 25.0	<u>50</u>
6"	<u>1</u>	<u>1</u>	x 50.0	<u>50</u>
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>6,009</u></u>	<u><u>5,991</u></u>		<u><u>7,317</u></u>
Total Wastewater Connections	<u><u>5,876</u></u>	<u><u>5,862</u></u>	x 1.0	<u><u>5,862</u></u>

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

Gallons pumped into system:	674,622,000	Water Accountability Ratio: 96.28% (Gallons billed and sold/Gallons pumped and purchased)
Gallons purchased:	227,718,000	From: North Harris County Regional Water Authority
Gallons billed to customers:	868,746,000	

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2016**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ's in which District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2016**

PROFESSIONAL FEES:	
Auditing	\$ 27,000
Engineering	159,566
Legal	<u>216,268</u>
TOTAL PROFESSIONAL FEES	<u>\$ 402,834</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 586,376
Purchased Wastewater Service	<u>290,517</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 876,893</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 18,171
Operations and Billing	138,600
Tax Collector	<u>493</u>
TOTAL CONTRACTED SERVICES	<u>\$ 157,264</u>
UTILITIES:	
Electricity	\$ 429,418
Telephone	<u>56,386</u>
TOTAL UTILITIES	<u>\$ 485,804</u>
REPAIRS AND MAINTENANCE	
Water	\$ 430,472
Wastewater	319,522
Detention Ponds	105,422
Landscaping	<u>53,075</u>
TOTAL REPAIRS AND MAINTENANCE	<u>\$ 908,491</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2016**

ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 12,300
Dues	810
Election Costs	2,727
Insurance	60,376
Office Supplies and Postage	108,131
Payroll Taxes	1,188
Travel and Meetings	2,158
Other	<u>8,079</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 195,769</u>
CAPITAL OUTLAY:	
Capitalized Assets	<u>\$ 308,097</u>
TAP CONNECTIONS	<u>\$ 337,308</u>
SOLID WASTE DISPOSAL	<u>\$ 903,149</u>
SECURITY	<u>\$ 479,137</u>
OTHER EXPENDITURES:	
Chemicals	\$ 98,311
Inspection Fees	90,157
Laboratory Fees	45,457
Permit Fees	11,812
Regional Water Authority Assessments	1,452,404
Regulatory Assessment (TCEQ)	17,347
Sludge Hauling	<u>48,672</u>
TOTAL OTHER EXPENDITURES	<u>\$ 1,764,160</u>
DEBT SERVICE:	
Bond Issuance Costs	<u>\$ 6,833</u>
TOTAL EXPENDITURES	<u>\$ 6,825,739</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
INVESTMENTS
JULY 31, 2016**

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	XXXX0002	0.3514%	Daily	\$ 2,193,870	\$
Money Market Mutual Fund	XXXX1526	Varies	Daily	323,193	
Money Market Mutual Fund	XXXX9725	Varies	Daily	2,797,839	
Certificate of Deposit	XXXX1052	0.400%	08/29/16	245,000	411
TOTAL GENERAL FUND				<u>\$ 5,559,902</u>	<u>\$ 411</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0003	0.3514%	Daily	\$ 5,962,090	\$
Money Market Mutual Fund	XXXX8725	Varies	Daily	178,427	
Certificate of Deposit	XXXX1179	0.150%	01/09/17	245,000	1
Certificate of Deposit	XXXX2514	0.250%	10/04/16	65,000	51
Certificate of Deposit	XXXX8755	0.050%	09/19/16	999,868	181
Certificate of Deposit	XXXX2498	0.250%	01/04/17	90,000	14
Certificate of Deposit	XXXX2506	0.250%	01/04/17	90,000	14
TOTAL DEBT SERVICE FUND				<u>\$ 7,630,385</u>	<u>\$ 261</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0001	0.3514%	Daily	\$ 8,974,215	\$
Money Market Mutual Fund	XXXX2725	Varies	Daily	1,095,951	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 10,070,166</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 23,260,453</u>	<u>\$ 672</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2016**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - AUGUST 1, 2015	\$	4,022		\$ 99,611
Adjustments to Beginning Balance		11,865	\$ 15,887	(5,617) \$ 93,994
Original 2015 Tax Levy	\$	600,843		\$ 8,892,470
Adjustment to 2015 Tax Levy		55,416	656,259	820,158 9,712,628
TOTAL TO BE ACCOUNTED FOR			\$ 672,146	\$ 9,806,622
TAX COLLECTIONS:				
Prior Years	\$	13,769		\$ 42,573
Current Year		652,924	666,693	9,663,276 9,705,849
TAXES RECEIVABLE - JULY 31, 2016			\$ 5,453	\$ 100,773
TAXES RECEIVABLE BY YEAR:				
2015			\$ 3,335	\$ 49,352
2014			734	18,603
2013			366	9,262
2012			264	6,698
2011			221	5,592
2010 and prior			533	11,266
TOTAL			\$ 5,453	\$ 100,773

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2016**

	2015	2014	2013	2012
PROPERTY VALUATIONS:				
Land	\$ 16,122,980	\$ 21,379,713	\$ 14,766,696	\$ 14,068,229
Improvements	1,301,009,784	1,164,062,698	1,037,570,191	942,362,767
Personal Property	38,792,452	16,658,408	21,078,563	19,651,991
Exemptions	<u>(43,368,379)</u>	<u>(37,704,497)</u>	<u>(37,147,168)</u>	<u>(29,285,426)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 1,312,556,837</u>	<u>\$ 1,164,396,322</u>	<u>\$ 1,036,268,282</u>	<u>\$ 946,797,561</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.74	\$ 0.76	\$ 0.76	\$ 0.76
Maintenance **	<u>0.05</u>	<u>0.03</u>	<u>0.03</u>	<u>0.03</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.79</u>	<u>\$ 0.79</u>	<u>\$ 0.79</u>	<u>\$ 0.79</u>
ADJUSTED TAX LEVY*	<u>\$ 10,368,887</u>	<u>\$ 9,198,829</u>	<u>\$ 8,188,221</u>	<u>\$ 7,475,286</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.49 %</u>	<u>99.79 %</u>	<u>99.88 %</u>	<u>99.91 %</u>

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

** Maintenance Tax – Maximum tax rate of \$0.50 per \$100 of assessed valuation was approved by voters on May 7, 1988.

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2016**

S E R I E S - 2 0 0 6 - A

Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2017	\$ 670,000	\$ 30,150	\$ 700,150
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
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2029			
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2040			
	<u>\$ 670,000</u>	<u>\$ 30,150</u>	<u>\$ 700,150</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2016**

S E R I E S - 2 0 0 6 - B

Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2017	\$ 505,000	\$ 20,200	\$ 525,200
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
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2035			
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2040			
	<u>\$ 505,000</u>	<u>\$ 20,200</u>	<u>\$ 525,200</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2016**

S E R I E S - 2 0 0 8

Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2017	\$ 445,000	\$ 76,800	\$ 521,800
2018	470,000	59,000	529,000
2019	490,000	40,200	530,200
2020	515,000	20,600	535,600
2021			
2022			
2023			
2024			
2025			
2026			
2027			
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2030			
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2040			
	<u>\$ 1,920,000</u>	<u>\$ 196,600</u>	<u>\$ 2,116,600</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2016**

S E R I E S - 2 0 0 9

Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2017	\$ 430,000	\$ 71,012	\$ 501,012
2018	450,000	54,888	504,888
2019	475,000	38,012	513,012
2020	505,000	20,200	525,200
2021			
2022			
2023			
2024			
2025			
2026			
2027			
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2040			
	<u>\$ 1,860,000</u>	<u>\$ 184,112</u>	<u>\$ 2,044,112</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2016**

REFUNDING SERIES - 2010

Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2017	\$ 1,165,000	\$ 236,113	\$ 1,401,113
2018	1,220,000	198,250	1,418,250
2019	1,260,000	158,600	1,418,600
2020	855,000	117,650	972,650
2021	890,000	89,863	979,863
2022	920,000	60,937	980,937
2023	955,000	31,037	986,037
2024			
2025			
2026			
2027			
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2040			
	<u>\$ 7,265,000</u>	<u>\$ 892,450</u>	<u>\$ 8,157,450</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2016**

S E R I E S - 2 0 1 3

Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2017	\$ 340,000	\$ 255,681	\$ 595,681
2018	350,000	248,881	598,881
2019	365,000	241,881	606,881
2020	380,000	230,932	610,932
2021	395,000	219,531	614,531
2022	415,000	207,681	622,681
2023	430,000	195,231	625,231
2024	445,000	182,332	627,332
2025	465,000	168,981	633,981
2026	485,000	155,031	640,031
2027	505,000	140,481	645,481
2028	525,000	125,332	650,332
2029	545,000	109,581	654,581
2030	570,000	93,231	663,231
2031	590,000	76,131	666,131
2032	615,000	58,432	673,432
2033	640,000	39,981	679,981
2034	665,000	20,782	685,782
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 8,725,000</u>	<u>\$ 2,770,113</u>	<u>\$ 11,495,113</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2016**

REFUNDING SERIES - 2014

Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2017	\$ 1,465,000	\$ 258,000	\$ 1,723,000
2018	1,515,000	228,700	1,743,700
2019	1,050,000	183,250	1,233,250
2020	1,095,000	151,750	1,246,750
2021	1,140,000	118,900	1,258,900
2022	1,185,000	84,700	1,269,700
2023	1,235,000	43,225	1,278,225
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 8,685,000</u>	<u>\$ 1,068,525</u>	<u>\$ 9,753,525</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2016**

REFUNDING SERIES - 2015

Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2017	\$ 95,000	\$ 557,475	\$ 652,475
2018	1,325,000	554,625	1,879,625
2019	1,375,000	514,875	1,889,875
2020	1,415,000	473,625	1,888,625
2021	1,470,000	431,175	1,901,175
2022	1,510,000	387,075	1,897,075
2023	1,575,000	341,775	1,916,775
2024	2,990,000	287,650	3,277,650
2025	3,120,000	183,000	3,303,000
2026	1,740,000	73,800	1,813,800
2027	720,000	21,600	741,600
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 17,335,000</u>	<u>\$ 3,826,675</u>	<u>\$ 21,161,675</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2016**

S E R I E S - 2 0 1 5 - A

Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2017	\$ 1,335,000	\$ 1,010,038	\$ 2,345,038
2018	1,335,000	956,638	2,291,638
2019	1,335,000	903,238	2,238,238
2020	1,335,000	849,838	2,184,838
2021	1,335,000	796,438	2,131,438
2022	1,330,000	769,738	2,099,738
2023	1,330,000	743,138	2,073,138
2024	1,330,000	713,212	2,043,212
2025	1,330,000	679,963	2,009,963
2026	1,330,000	646,712	1,976,712
2027	1,330,000	606,813	1,936,813
2028	1,330,000	566,912	1,896,912
2029	1,330,000	527,012	1,857,012
2030	1,330,000	487,112	1,817,112
2031	1,330,000	447,212	1,777,212
2032	1,330,000	405,650	1,735,650
2033	1,330,000	364,088	1,694,088
2034	1,330,000	320,862	1,650,862
2035	1,330,000	277,638	1,607,638
2036	1,330,000	232,750	1,562,750
2037	1,330,000	187,862	1,517,862
2038	1,330,000	141,312	1,471,312
2039	1,330,000	94,762	1,424,762
2040	1,330,000	48,212	1,378,212
	<u>\$ 31,945,000</u>	<u>\$ 12,777,150</u>	<u>\$ 44,722,150</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2016**

REFUNDING SERIES - 2016

Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2017	\$ 175,000	\$ 596,776	\$ 771,776
2018	5,000	712,631	717,631
2019	5,000	712,531	717,531
2020	5,000	712,431	717,431
2021	1,085,000	712,331	1,797,331
2022	1,125,000	679,782	1,804,782
2023	1,175,000	639,000	1,814,000
2024	1,240,000	592,000	1,832,000
2025	1,305,000	542,400	1,847,400
2026	1,370,000	490,200	1,860,200
2027	2,515,000	435,400	2,950,400
2028	1,520,000	334,800	1,854,800
2029	1,590,000	274,000	1,864,000
2030	1,675,000	210,400	1,885,400
2031	1,750,000	143,400	1,893,400
2032	1,835,000	73,400	1,908,400
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 18,375,000</u>	<u>\$ 7,861,482</u>	<u>\$ 26,236,482</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2016**

**ANNUAL REQUIREMENTS
FOR ALL SERIES**

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2017	\$ 6,625,000	\$ 3,112,245	\$ 9,737,245
2018	6,670,000	3,013,613	9,683,613
2019	6,355,000	2,792,587	9,147,587
2020	6,105,000	2,577,026	8,682,026
2021	6,315,000	2,368,238	8,683,238
2022	6,485,000	2,189,913	8,674,913
2023	6,700,000	1,993,406	8,693,406
2024	6,005,000	1,775,194	7,780,194
2025	6,220,000	1,574,344	7,794,344
2026	4,925,000	1,365,743	6,290,743
2027	5,070,000	1,204,294	6,274,294
2028	3,375,000	1,027,044	4,402,044
2029	3,465,000	910,593	4,375,593
2030	3,575,000	790,743	4,365,743
2031	3,670,000	666,743	4,336,743
2032	3,780,000	537,482	4,317,482
2033	1,970,000	404,069	2,374,069
2034	1,995,000	341,644	2,336,644
2035	1,330,000	277,638	1,607,638
2036	1,330,000	232,750	1,562,750
2037	1,330,000	187,862	1,517,862
2038	1,330,000	141,312	1,471,312
2039	1,330,000	94,762	1,424,762
2040	1,330,000	48,212	1,378,212
	<u>\$ 97,285,000</u>	<u>\$ 29,627,457</u>	<u>\$ 126,912,457</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2016**

Description	Original Bonds Issued	Bonds Outstanding August 1, 2015
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2004	\$ 18,250,000	\$ 895,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2006-A	14,190,000	2,380,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2006-B	10,720,000	985,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2008	13,505,000	11,060,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2009	13,090,000	11,080,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Refunding Bonds - Series 2010	11,470,000	8,385,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2013	9,660,000	9,050,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Refunding Bonds - Series 2014	9,265,000	9,200,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Refunding Bonds - Series 2015	17,475,000	17,475,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2015-A	31,945,000	
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Refunding Bonds - Series 2016	<u>18,375,000</u>	
TOTAL	<u>\$ 167,945,000</u>	<u>\$ 70,510,000</u>

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

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding July 31, 2016	Paying Agent
	Principal	Interest		
\$	\$ 895,000	\$ 35,800	\$ -0-	Wells Fargo Bank N.A. Houston, TX
	1,710,000	102,700	670,000	Wells Fargo Bank N.A. Houston, TX
	480,000	49,000	505,000	Wells Fargo Bank N.A. Houston, TX
	9,140,000	476,669	1,920,000	Wells Fargo Bank N.A. Houston, TX
	9,220,000	482,210	1,860,000	Wells Fargo Bank N.A. Houston, TX
	1,120,000	272,513	7,265,000	Wells Fargo Bank N.A. Houston, TX
	325,000	262,182	8,725,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	515,000	268,300	8,685,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	140,000	513,307	17,335,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
31,945,000		474,157	31,945,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>18,375,000</u>			<u>18,375,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 50,320,000</u>	<u>\$ 23,545,000</u>	<u>\$ 2,936,838</u>	<u>\$ 97,285,000</u>	

See accompanying independent auditor's report.

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**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2016**

Bond Authority:	<u>Water, Sanitary Sewer, Drainage and Refunding*</u>	<u>Park Bonds</u>	
Amount Authorized by Voters	\$ 243,900,000	\$ 8,000,000	
Amount Issued	<u>147,445,000</u>	<u> </u>	
Remaining to be Issued	<u>\$ 96,455,000</u>	<u>\$ 8,000,000</u>	
Debt Service Fund cash and investment balances as of July 31, 2016			<u>\$ 8,110,030</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 5,288,019</u>

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

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

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2016	2015	2014
REVENUES			
Property Taxes	\$ 666,693	\$ 365,204	\$ 320,530
Sales Tax Receipts	22,054	24,071	11,968
Water Service	1,849,447	1,451,579	1,511,738
Wastewater Service	1,842,170	1,671,868	1,550,492
Regional Water Authority Fees	2,227,266	1,616,220	1,564,901
Penalty and Interest	74,783	67,709	64,384
Tap Connection and Inspection Fees	889,455	994,698	424,030
Investment Revenues	13,703	5,553	5,871
Regional Water Authority Reimbursements	64,995	64,995	64,995
Miscellaneous Revenues	204,650	104,560	83,745
TOTAL REVENUES	\$ 7,855,216	\$ 6,366,457	\$ 5,602,654
EXPENDITURES			
Salaries and Benefits	\$	\$	\$
Professional Fees	402,834	387,496	331,344
Contracted Services	1,539,550	1,459,265	1,432,588
Purchased Water Service	586,376	424,293	325,849
Purchased Wastewater Service	290,517	321,740	348,311
Utilities	485,804	464,141	364,577
Regional Water Authority Assessments	1,452,404	1,187,144	1,107,609
Repairs and Maintenance	908,491	1,052,732	752,253
Other	844,833	841,937	514,897
Capital Outlay	308,097	52,388	38,668
Bond Issuance Costs	6,833	61,029	
TOTAL EXPENDITURES	\$ 6,825,739	\$ 6,252,165	\$ 5,216,096
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,029,477	\$ 114,292	\$ 386,558
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ 14,233	\$	\$
Contributed by Other Governments	315,210		
TOTAL OTHER FINANCING SOURCES (USES)	\$ 329,443	\$ - 0 -	\$ - 0 -
SPECIAL ITEMS			
Shaw Acres Water Line	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 1,358,920	\$ 114,292	\$ 386,558
BEGINNING FUND BALANCE	7,107,522	6,993,230	6,606,672
ENDING FUND BALANCE	\$ 8,466,442	\$ 7,107,522	\$ 6,993,230

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2013	2012	2016	2015	2014	2013	2012
\$ 284,599	\$ 279,365	8.4 %	5.7 %	5.7 %	5.2 %	5.1 %
17,576		0.3	0.4	0.2	0.3	
1,579,928	1,632,210	23.5	22.8	27.0	28.9	30.0
1,491,127	1,423,502	23.5	26.3	27.7	27.2	26.2
1,606,507	1,571,097	28.4	25.4	27.9	29.4	28.9
58,409	72,088	1.0	1.1	1.1	1.1	1.3
255,960	326,420	11.3	15.6	7.6	4.7	6.0
8,557	12,119	0.2	0.1	0.1	0.1	0.2
64,995	48,746	0.8	1.0	1.2	1.2	0.9
102,974	76,786	2.6	1.6	1.5	1.9	1.4
<u>\$ 5,470,632</u>	<u>\$ 5,442,333</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$	\$ 56,250	%	%	%	%	1.0 %
302,297	305,229	5.1	6.1	5.9	5.5	5.6
1,247,921	1,060,233	19.6	22.9	25.6	22.8	19.5
402,556	266,574	7.5	6.7	5.8	7.4	4.9
304,540	272,485	3.7	5.1	6.2	5.6	5.0
431,841	451,085	6.2	7.3	6.5	7.9	8.3
1,105,387	1,211,546	18.5	18.6	19.8	20.2	22.3
527,190	589,511	11.6	16.5	13.4	9.6	10.8
487,690	519,484	10.8	13.2	9.2	8.9	9.5
	995,277	3.9	0.8	0.7		18.3
		0.1	1.0			
<u>\$ 4,809,422</u>	<u>\$ 5,727,674</u>	<u>87.0 %</u>	<u>98.2 %</u>	<u>93.1 %</u>	<u>87.9 %</u>	<u>105.2 %</u>
<u>\$ 661,210</u>	<u>\$ (285,341)</u>	<u>13.0 %</u>	<u>1.8 %</u>	<u>6.9 %</u>	<u>12.1 %</u>	<u>(5.2) %</u>
\$ 2,171,204	\$ (2,936,995)					
<u>\$ 2,171,204</u>	<u>\$ (2,936,995)</u>					
\$ - 0 -	\$ 1,164,000					
\$ 2,832,414	\$ (2,058,336)					
3,774,258	5,832,594					
<u>\$ 6,606,672</u>	<u>\$ 3,774,258</u>					

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2016	2015	2014
REVENUES			
Property Taxes	\$ 9,705,849	\$ 8,822,501	\$ 7,947,984
Penalty and Interest	34,927	38,664	31,684
Investment Revenues	21,709	5,605	5,544
TOTAL REVENUES	\$ 9,762,485	\$ 8,866,770	\$ 7,985,212
EXPENDITURES			
Tax Collection Expenditures	\$ 97,100	\$ 104,945	\$ 80,930
Debt Service Principal	4,940,000	4,575,000	4,740,000
Debt Service Interest and Fees	2,941,588	2,873,754	2,992,593
Bond Issuance Costs	510,621	488,039	343,596
Payment to Refunded Bond Escrow Agent			166,000
TOTAL EXPENDITURES	\$ 8,489,309	\$ 8,041,738	\$ 8,323,119
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,273,176	\$ 825,032	\$ (337,907)
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$	\$	\$
Refunding Bonds	18,375,000	17,475,000	9,265,000
Payment to Refunded Bond Escrow Agent	(19,949,831)	(17,670,486)	(9,384,486)
Long-Term Debt Issued			
Bond Premium	2,085,452	684,167	463,083
TOTAL OTHER FINANCING SOURCES (USES)	\$ 510,621	\$ 488,681	\$ 343,597
NET CHANGE IN FUND BALANCE	\$ 1,783,797	\$ 1,313,713	\$ 5,690
BEGINNING FUND BALANCE	6,275,414	4,961,701	4,956,011
ENDING FUND BALANCE	\$ 8,059,211	\$ 6,275,414	\$ 4,961,701
TOTAL ACTIVE RETAIL WATER CONNECTIONS	5,991	5,407	4,895
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	5,862	5,285	4,806

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2013	2012	2016	2015	2014	2013	2012
\$ 7,208,095	\$ 7,068,293	99.4 %	99.5 %	99.5 %	98.9 %	98.9 %
70,428	62,659	0.4	0.4	0.4	1.0	0.9
9,257	16,464	0.2	0.1	0.1	0.1	0.2
<u>\$ 7,287,780</u>	<u>\$ 7,147,416</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 89,932	\$ 75,679	1.0 %	1.2 %	1.0 %	1.2 %	1.1 %
4,240,000	6,955,000	50.6	51.6	59.4	58.2	97.3
3,092,951	3,381,549	30.1	32.4	37.5	42.4	47.3
		5.2	5.5	4.3		
				2.1		
<u>\$ 7,422,883</u>	<u>\$ 10,412,228</u>	<u>86.9 %</u>	<u>90.7 %</u>	<u>104.3 %</u>	<u>101.8 %</u>	<u>145.7 %</u>
\$ (135,103)	\$ (3,264,812)	13.1 %	9.3 %	(4.3) %	(1.8) %	(45.7) %
\$	\$ 2,936,995					
274,381						
<u>\$ 274,381</u>	<u>\$ 2,936,995</u>					
\$ 139,278	\$ (327,817)					
4,816,733	5,144,550					
<u>\$ 4,956,011</u>	<u>\$ 4,816,733</u>					
4,638	4,470					
<u>4,551</u>	<u>4,394</u>					

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2016**

District Mailing Address - Northwest Harris County Municipal Utility District No. 5
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 Appointed)	Fees of Office for the year ended July 31, 2016	Expense Reimbursements for the year ended July 31, 2016	Title
Jeff Collins	05/14 05/18 (Elected)	\$ 1,200	\$ -0-	President
Larry Millberger	05/16 05/20 (Elected)	\$ 1,050	\$ 886	Vice President
James Adams	12/14 05/18 (Appointed)	\$ 2,100	\$ -0-	Secretary
Charles Fischer	05/16 05/20 (Elected)	\$ 1,800	\$ 692	Treasurer
H. Bruce Gallun	05/16 05/20 (Elected)	\$ 900	\$ -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 except for Director Collins. Director Collins is a shareholder in LJA Engineering which is currently providing services to the District. Director Collins has agreed to abstain from voting on certain engineering issues because of the possible financial effect on this company.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): May 19, 2016.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on July 17, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2016**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2016</u>	<u>Title</u>
Smith, Murdaugh, Little & Bonham, L.L.P.	04/10/75 01/21/88	\$ 216,268 \$ 825,120 \$ 5,868	General Counsel Bond Counsel Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	07/16/87	\$ 49,500	Auditor
Municipal Accounts & Consulting	11/01/16	\$ -0-	Bookkeeper
Municipal Business Services, Inc.	08/15/91 To 10/31/16	\$ 20,421	Prior Bookkeeper
Costello, Inc.	03/27/03	\$ 281,415	Engineer
FirstSouthwest, a Division of Hilltop Securities, Inc.	03/19/15	\$ 367,932	Financial Advisor
Mark Burton Ghia Lewis	10/20/16 10/20/16	\$ -0-	Investment Officers
Bob Ideus	06/17/99	\$ -0-	Prior Investment Officer
Municipal District Services	12/01/07	\$1,502,879	Operator
Mike Arterburn, RTA	09/15/16	\$ -0-	Tax Assessor
Mike Sullivan Harris County Tax Assessor/Collector	07/01/06	\$ 8,808	Tax Assessor/ Collector

See accompanying independent auditor's report.

