

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
HARRIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
JULY 31, 2015

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, 2015, 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, 2015, 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 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 17, 2015

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2015**

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, 2015. 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 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, 2015**

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 \$15,959,657 as of July 31, 2015.

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, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2015	2014	Change Positive (Negative)
Current and Other Assets	\$ 18,286,757	\$ 17,598,139	\$ 688,618
Capital Assets (Net of Accumulated Depreciation)	92,153,808	73,708,181	18,445,627
Total Assets	<u>\$ 110,440,565</u>	<u>\$ 91,306,320</u>	<u>\$ 19,134,245</u>
Deferred Outflows of Resources	\$ 1,436,093	\$ 454,821	\$ 981,272
Long -Term Liabilities	\$ 65,953,199	\$ 69,333,059	\$ 3,379,860
Due to Developers	23,064,201	2,049,518	(21,014,683)
Other Liabilities	6,899,601	7,136,618	237,017
Total Liabilities	<u>\$ 95,917,001</u>	<u>\$ 78,519,195</u>	<u>\$ (17,397,806)</u>
Net Position:			
Net Investment in Capital Assets	\$ (367,499)	\$ (1,794,575)	\$ 1,427,076
Restricted	8,312,031	6,585,687	1,726,344
Unrestricted	8,015,125	8,450,834	(435,709)
Total Net Position	<u>\$ 15,959,657</u>	<u>\$ 13,241,946</u>	<u>\$ 2,717,711</u>

*

The following table provides a summary of the District's operations for the years ended July 31, 2015, and July 31, 2014. During the current fiscal year, the District's net position increased by \$2,717,711, accounting for a 20.5% growth in net position.

	Summary of Changes in the Statement of Activities		
	2015	2014	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 9,212,591	\$ 8,293,402	\$ 919,189
Sales Tax Receipts	24,071	11,968	12,103
Charges for Services	5,847,371	5,155,867	691,504
Other Revenues	169,533	151,784	17,749
Sale of Capacity	146,157		146,157
Capital Contributions		311,614	(311,614)
Total Revenues	<u>\$ 15,399,723</u>	<u>\$ 13,924,635</u>	<u>\$ 1,475,088</u>
Expenses for Services	12,682,012	10,998,355	(1,683,657)
Change in Net Position	\$ 2,717,711	\$ 2,926,280	\$ (208,569)
Net Position, Beginning of Year	13,241,946	10,315,666	2,926,280
Net Position, End of Year	<u>\$ 15,959,657</u>	<u>\$ 13,241,946</u>	<u>\$ 2,717,711</u>

*

* As Adjusted, See Note 18

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of July 31, 2015, were \$15,890,426, an increase of \$1,695,723 from the prior year.

The General Fund fund balance increased by \$114,292, primarily due to operating revenues exceeding operating expenditures.

The Debt Service Fund fund balance increased by \$1,313,713, primarily due to issuance of Series 2015 Unlimited Tax Refunding Bonds and the structure of the District's debt. See Note 17.

The Capital Projects Fund fund balance increased by \$267,718, primarily due to the sale of wastewater treatment plant capacity.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District did not amend the budget during the fiscal year. Actual revenues were \$576,957 more than budgeted revenues. Actual expenditures were \$704,065 more than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of July 31, 2015, total \$92,153,808 (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 Oakcrest Lift Station Improvements and 6" Force Main; Water Plant Nos. 1 and 2 – Hydropneumatic Tank Recoating and installation of Well Motor and Electrical Soft Start at Water Plant No. 2. Developer funded items completed and recorded as capital assets included facilities to serve Grant Meadows, Sections 3, 4 and 5, Oakcrest North, Sections 5, 6 and 11, Enclave at Northpointe, Sections 1, 2 and 3, Valencia Pines, Wildwood, Section 3, Wildwood at Northpointe, Sections 15, 16, 17 and 19, Hayden Lakes, Sections 1, 2, 3, 4 and 5; detention pond, phase II to serve Oakcrest; lift station no. 1 to serve Wildwood; detention phase 1 and lift station to serve Hayden Lakes. Construction in Progress includes 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.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2015**

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2015	2014	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 6,529,293	\$ 4,241,594	\$ 2,287,699
Construction in Progress	385,713	305,306	80,407
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	210,999	220,595	(9,596)
Water System	21,945,376	19,040,751	2,904,625
Wastewater System	30,864,254	26,549,672	4,314,582
Drainage System	32,218,173	23,350,262	8,867,911
Other	1	1	(1)
Total Net Capital Assets	\$ 92,153,808	\$ 73,708,181	\$ 18,445,627

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, 2015, the District had total long-term debt payable of \$70,510,000. The changes in the debt position of the District during the fiscal year ended July 31, 2015, are summarized as follows:

Bond Debt Payable, August 1, 2014	\$ 74,670,000
Add: Series 2015 Refunding Bond Sale	17,475,000
Less: Bond Principal Paid/Refunded	21,635,000
Bond Debt Payable, July 31, 2015	\$ 70,510,000

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

The Series 2004 Bonds carry insured ratings of "A3" and "AA" based on an insurance policy issued by National Public Finance Guarantee Corporation.

The Series 2006-B Bonds carry insured ratings of "A2" and "AA" and the Series 2013 Bonds carry an insured rating of "AA" based on an insurance policy issued by Assured Guaranty Municipal Corporation.

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**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2015**

LONG-TERM DEBT ACTIVITY (Continued)

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

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

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

SUBSEQUENT EVENT

Subsequent to year end, on November 12, 2015, the District closed on the sale of its Series 2015A \$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.

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.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2015**

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 2,512,781	\$ 475,696
Investments	4,878,317	5,791,693
Cash with Harris County Tax Office		8,323
Receivables:		
Property Taxes	4,022	99,611
Penalty and Interest on Delinquent Taxes		32,315
Service Accounts (Net of Allowance for Doubtful Accounts of \$4,000)	453,038	
Accrued Interest	405	621
Other	41	
Due from City of Houston	6,489	
Due from Other Funds	450,531	641
Prepaid Costs	39,897	
Unamortized Costs		
Advance for Regional Wastewater Treatment Plant Operations	87,706	
Regional Water Authority Chloramine Conversion Receivable		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 8,433,227</u>	<u>\$ 6,408,900</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 8,433,227</u>	<u>\$ 6,408,900</u>

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>
\$ 1,091,001	\$ 4,079,478	\$	\$ 4,079,478
1,901,220	12,571,230		12,571,230
	8,323		8,323
	103,633		103,633
	32,315		32,315
	453,038		453,038
	1,026		1,026
	41		41
	6,489		6,489
	451,172	(451,172)	
	39,897		39,897
		55,074	55,074
	87,706		87,706
		848,507	848,507
		6,529,293	6,529,293
		385,713	385,713
		<u>85,238,802</u>	<u>85,238,802</u>
<u>\$ 2,992,221</u>	<u>\$ 17,834,348</u>	<u>\$ 92,606,217</u>	<u>\$ 110,440,565</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,436,093</u>	<u>\$ 1,436,093</u>
<u>\$ 2,992,221</u>	<u>\$ 17,834,348</u>	<u>\$ 94,042,310</u>	<u>\$ 111,876,658</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, 2015**

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 380,610	\$
Accrued Interest Payable		
Due to Other Governments	275,547	
Retainage Payable		
Due to Developers		
Due to Other Funds	641	
Security Deposits	632,070	
Accrued Bond Interest Received at Time of Sale		1,560
Unearned Tap Revenues	32,815	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	<u>\$ 1,321,683</u>	<u>\$ 1,560</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	4,022	99,611
Penalty and Interest on Delinquent Taxes		32,315
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 4,022</u>	<u>\$ 131,926</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 39,897	\$
Advance for Wastewater Treatment Plant Operations	87,706	
Restricted for Authorized Construction:		
Net Investment Revenues		
Restricted for Debt Service		6,275,414
Unassigned	6,979,919	
TOTAL FUND BALANCES	<u>\$ 7,107,522</u>	<u>\$ 6,275,414</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 8,433,227</u>	<u>\$ 6,408,900</u>
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.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 2,880	\$ 383,490	\$	\$ 383,490
		604,359	604,359
	275,547		275,547
31,320	31,320		31,320
		23,064,201	23,064,201
450,531	451,172	(451,172)	
	632,070		632,070
	1,560	(1,560)	
	32,815		32,815
		4,940,000	4,940,000
		65,953,199	65,953,199
<u>\$ 484,731</u>	<u>\$ 1,807,974</u>	<u>\$ 94,109,027</u>	<u>\$ 95,917,001</u>
	103,633	(103,633)	
	32,315	(32,315)	
<u>\$ -0-</u>	<u>\$ 135,948</u>	<u>\$ (135,948)</u>	<u>\$ -0-</u>
\$	\$ 39,897	\$ (39,897)	\$
	87,706	(87,706)	
2,507,490	2,507,490	(2,507,490)	
	6,275,414	(6,275,414)	
	6,979,919	(6,979,919)	
<u>\$ 2,507,490</u>	<u>\$ 15,890,426</u>	<u>\$ (15,890,426)</u>	<u>\$ - 0 -</u>
<u>\$ 2,992,221</u>	<u>\$ 17,834,348</u>		
		\$ (367,499)	\$ (367,499)
		5,804,541	5,804,541
		2,507,490	2,507,490
		<u>8,015,125</u>	<u>8,015,125</u>
		<u>\$ 15,959,657</u>	<u>\$ 15,959,657</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, 2015**

Total Fund Balances - Governmental Funds \$ 15,890,426

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. 1,436,093

Bond insurance premiums paid at closing are amortized over the term of the debt in the government-wide financial statements. 55,074

Long-term receivables are not current financial resources and, therefore, are not reported as assets in the governmental funds. 848,507

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. 92,153,808

Deferred tax revenues and deferred penalty and interest revenues on delinquent taxes for the 2014 and prior tax levies became part of recognized revenues in the governmental activities of the District. 135,948

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	\$ (23,064,201)	
Accrued Interest Payable	(602,799)	
Bonds Payable Within One Year	(4,940,000)	
Bonds Payable After One Year	<u>(65,953,199)</u>	<u>(94,560,199)</u>

Total Net Position - Governmental Activities \$ 15,959,657

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, 2015**

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 365,204	\$ 8,822,501
Sales Tax Receipts	24,071	
Water Service	1,451,579	
Wastewater Service	1,671,868	
Regional Water Authority Fees	1,616,220	
Penalty and Interest	67,709	38,664
Tap Connection and Inspection Fees	994,698	
Investment Revenues	5,553	5,605
Regional Water Authority Reimbursements	64,995	
Miscellaneous Revenues	104,560	
Sale of Capacity		
TOTAL REVENUES	\$ 6,366,457	\$ 8,866,770
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 387,496	\$ 21,904
Contracted Services	1,459,265	85,101
Purchased Water Service	424,293	
Purchased Wastewater Service	321,740	
Utilities	464,141	
Regional Water Authority Assessments	1,187,144	
Repairs and Maintenance	1,052,732	
Depreciation		
Other	841,937	3,240
Capital Outlay	52,388	
Debt Service:		
Bond Principal		4,575,000
Bond Interest		2,868,454
Bond Issuance Costs	61,029	488,039
TOTAL EXPENDITURES/EXPENSES	\$ 6,252,165	\$ 8,041,738
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 114,292	\$ 825,032
OTHER FINANCING SOURCES (USES)		
Refunding Bonds	\$	\$ 17,475,000
Payment to Refunded Bond Escrow Agent		(17,670,486)
Bond Premium		684,167
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ 488,681
NET CHANGE IN FUND BALANCES	\$ 114,292	\$ 1,313,713
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - AUGUST 1, 2014, AS ADJUSTED	6,993,230	4,961,701
FUND BALANCES/NET POSITION - JULY 31, 2015	\$ 7,107,522	\$ 6,275,414

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 9,187,705	\$ 24,886	\$ 9,212,591
	24,071		24,071
	1,451,579		1,451,579
	1,671,868		1,671,868
	1,616,220		1,616,220
	106,373	6,633	113,006
	994,698		994,698
2,107	13,265	51,708	64,973
	64,995	(64,995)	
	104,560		104,560
<u>787,703</u>	<u>787,703</u>	<u>(641,546)</u>	<u>146,157</u>
<u>\$ 789,810</u>	<u>\$ 16,023,037</u>	<u>\$ (623,314)</u>	<u>\$ 15,399,723</u>
\$ 1,000	\$ 410,400	\$	\$ 410,400
	1,544,366		1,544,366
	424,293		424,293
	321,740		321,740
	464,141		464,141
	1,187,144		1,187,144
153,390	1,206,122		1,206,122
		2,914,831	2,914,831
5,577	850,754		850,754
362,125	414,513	(414,513)	
	4,575,000	(4,575,000)	
	2,868,454	(21,340)	2,847,114
	549,068	(37,961)	511,107
<u>\$ 522,092</u>	<u>\$ 14,815,995</u>	<u>\$ (2,133,983)</u>	<u>\$ 12,682,012</u>
<u>\$ 267,718</u>	<u>\$ 1,207,042</u>	<u>\$ (1,207,042)</u>	<u>\$ -0-</u>
\$	\$ 17,475,000	\$ (17,475,000)	\$
	(17,670,486)	17,670,486	
	684,167	(684,167)	
<u>\$ -0-</u>	<u>\$ 488,681</u>	<u>\$ (488,681)</u>	<u>\$ -0-</u>
\$ 267,718	\$ 1,695,723	\$ (1,695,723)	\$
		2,717,711	2,717,711
<u>2,239,772</u>	<u>14,194,703</u>	<u>(952,757)</u>	<u>13,241,946</u>
<u>\$ 2,507,490</u>	<u>\$ 15,890,426</u>	<u>\$ 69,231</u>	<u>\$ 15,959,657</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, 2015**

Net Change in Fund Balances - Governmental Funds	\$ 1,695,723
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.	24,886
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.	6,633
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.	(13,287)
Governmental funds report the sale of capacity as revenues. However in the government-wide financial statements, the revenue is reduced by the book value of the capacity sold.	(641,546)
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.	(2,914,831)
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.	414,513
Governmental funds report bond discounts and bond premiums as other financing sources/uses in the year paid. However, in the government-wide financial statements, bond discounts and bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(646,206)
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.	4,575,000
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.	21,340
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(17,475,000)
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>17,670,486</u>
Change in Net Position - Governmental Activities	<u><u>\$ 2,717,711</u></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, 2015**

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, 2015**

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, 2015**

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 Balance Sheet and a 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, 2015**

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:

	Years
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 2015 budget was adopted on August 21, 2014. 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, 2015**

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 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, 2015**

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

	<u>Series 2004</u>	<u>Series 2006-A</u>	<u>Series 2006-B</u>
Amount Outstanding – July 31, 2015	\$ 895,000	\$ 2,380,000	\$ 985,000
Interest Rates	4.00%	3.50% - 5.50%	4.00% - 6.00%
Maturity Dates - Serially Beginning/Ending	May 1, 2016	May 1, 2016,2017,2027	May 1, 2016/2017
Interest Payment Dates	November 1/ May 1	November 1/ May 1	November 1/ May 1
Callable Dates	November 1, 2014*	May 1, 2016*	May 1, 2016*
	<u>Series 2008</u>	<u>Series 2009</u>	<u>Refunding Series 2010</u>
Amount Outstanding – July 31, 2015	\$ 11,060,000	\$ 11,080,000	\$ 8,385,000
Interest Rates	4.00% - 5.00%	3.50% - 4.75%	3.25%
Maturity Dates - Serially Beginning/Ending	May 1, 2016/2020 2022, 2024 2025/2030, 2032	May 1, 2016/2028 2032	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, 2015**

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2013	Refunding Series 2014	Refunding Series 2015
Amount Outstanding – July 31, 2015	\$ 9,050,000	\$ 9,200,000	\$ 17,475,000
Interest Rates	2.00% - 3.125%	2.00% - 3.50%	3.00% - 3.50%
Maturity Dates - Serially Beginning/Ending	May 1, 2016/2034	May 1, 2016/2023	May 1, 2016/2027
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

* 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 Series 2008 term bonds maturing on May 1, 2022, May 1, 2024, and May 1, 2032, are subject to mandatory redemption by the Depository Trust Company of New York in accordance with its procedures beginning May 1, 2021, May 1 2023, and May 1, 2031, respectively. The Series 2009 term bond maturing May 1, 2032, is subject to mandatory redemption by the Depository Trust Company of New York in accordance with its procedures beginning May 1, 2029. The Refunding Series 2010 bond is a term bond subject to mandatory redemption beginning May 1, 2011, by lot or other customary random method.

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2015:

	August 1, 2014	Additions	Retirements	July 31, 2015
Bonds Payable	\$ 74,670,000	\$ 17,475,000	\$ 21,635,000	\$ 70,510,000
Unamortized Discounts	(1,206,256)		(520,993)	(685,263)
Unamortized Premiums	444,315	684,167	60,020	1,068,462
Bonds Payable, Net	<u>\$ 73,908,059</u>	<u>\$ 18,159,167</u>	<u>\$ 21,174,027</u>	<u>\$ 70,893,199</u>
		Amount Due Within One Year		\$ 4,940,000
		Amount Due After One Year		<u>65,953,199</u>
		Bonds Payable, Net		<u>\$ 70,893,199</u>

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

NOTE 3. LONG-TERM DEBT (Continued)

As of July 31, 2015, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 4,940,000	\$ 2,464,243	\$ 7,404,243
2017	5,115,000	2,322,948	7,437,948
2018	5,330,000	2,161,860	7,491,860
2019	5,015,000	1,994,335	7,009,335
2020	4,765,000	1,832,273	6,597,273
2021-2025	25,140,000	6,620,280	31,760,280
2026-2030	13,960,000	2,746,560	16,706,560
2031-2034	6,245,000	456,764	6,701,764
	<u>\$ 70,510,000</u>	<u>\$ 20,599,263</u>	<u>\$ 91,109,263</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 \$128,400,000 for utilities and refundings, and \$8,000,000 for parks and recreation.

During the year ended July 31, 2015, the District levied an ad valorem debt service tax at the rate of \$0.76 per \$100 of assessed valuation, which resulted in a tax levy of \$8,849,506 on the adjusted taxable valuation of \$1,164,396,322 for the 2014 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.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

- A. The bond orders state that so long as any of the bonds or coupons remain outstanding, the District covenants that it will at all times keep insured such parts of the system as are customarily insured by municipal utility districts and political subdivisions in Texas operating like properties in similar locations under the same circumstances with a responsible insurance company or companies against risks, accidents or casualties against which and to the extent insurance is customarily carried by such municipal corporations and political subdivisions; provided, however, that at any time while any contractor engaged in construction work shall be fully responsible therefor, the District shall not be required to carry such insurance.
- B. 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 10th year arbitrage rebate reports were issued on the Series 2002 and Refunding Series 2004 bonds. The 5th year arbitrage rebate reports were issued on the Series 2004, Series 2006-A, Series 2006-B and Series 2008 bonds. The reports reflect that the District did not have a rebate obligation to the federal government on these issues.
- C. 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.
- D. In accordance with the Series 2013 bond order, a portion of the bond proceeds was deposited into the Debt Service Fund and reserved for the payment of bond interest during the construction period. The bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

Bond Interest Reserve - August 1, 2014	\$	22,866
Less: Bond Interest Payments – Series 2013		22,866
Bond Interest Reserve - July 31, 2015	\$	-0-

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

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 \$6,586,284 and the bank balances were \$6,641,182. Of the bank balances, \$1,564,221 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, 2015, as listed below:

	Cash	Certificates of Deposit	Total
	<u> </u>	<u> </u>	<u> </u>
GENERAL FUND	\$ 2,512,781	\$ 245,000	\$ 2,757,781
DEBT SERVICE FUND	475,696	1,488,375	1,964,071
CAPITAL PROJECTS FUND	<u>1,091,001</u>	<u>773,431</u>	<u>1,864,432</u>
TOTAL DEPOSITS	<u>\$ 4,079,478</u>	<u>\$ 2,506,806</u>	<u>\$ 6,586,284</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment,

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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 State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. The fair value of the District’s position in the pool is the same as the value of the pool shares.

As of July 31, 2015, the District had the following investments and maturities:

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
TexPool	\$ 1,985,133	\$ 1,985,133	\$	\$	\$
Money Market Mutual Funds	2,648,184	2,648,184			
Certificates of Deposit	245,000	245,000			
<u>DEBT SERVICE FUND</u>					
TexPool	4,125,160	4,125,160			
Money Market Mutual Funds	178,158	178,158			
Certificates of Deposit	1,488,375	1,243,375	245,000		
<u>CAPITAL PROJECTS FUND</u>					
TexPool	33,639	33,639			
Money Market Mutual Funds	1,094,150	1,094,150			
Certificates of Deposit	773,431	773,431			
TOTAL INVESTMENTS	\$ 12,571,230	\$ 12,326,230	\$245,000	\$ - 0 -	\$ - 0 -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At July 31, 2015, 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.

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.

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, 2015**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended July 31, 2015:

	August 1, 2014	Increases	Decreases	July 31, 2015
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 4,241,594	\$ 2,287,699	\$	\$ 6,529,293
Construction in Progress	305,306	22,002,004	21,921,597	385,713
Total Capital Assets Not Being Depreciated	\$ 4,546,900	\$ 24,289,703	\$ 21,921,597	\$ 6,915,006
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 383,826	\$	\$	\$ 383,826
Water System	25,066,384	3,747,225		28,813,609
Wastewater System	33,712,972	6,089,266	787,703	39,014,535
Drainage System	28,725,071	9,797,407		38,522,478
Other	205,020			205,020
Total Capital Assets Subject to Depreciation	\$ 88,093,273	\$ 19,633,898	\$ 787,703	\$ 106,939,468
Accumulated Depreciation				
Buildings and Improvements	\$ 163,231	\$ 9,596	\$	\$ 172,827
Water System	6,025,633	842,600		6,868,233
Wastewater System	7,163,300	1,133,138	146,157	8,150,281
Drainage System	5,374,809	929,496		6,304,305
Other	205,019	1		205,020
Total Accumulated Depreciation	\$ 18,931,992	\$ 2,914,831	\$ 146,157	\$ 21,700,666
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 69,161,281	\$ 16,719,067	\$ 641,546	\$ 85,238,802
Total Capital Assets, Net of Accumulated Depreciation	\$ 73,708,181	\$ 41,008,770	\$ 22,563,143	\$ 92,153,808

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, 2015**

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, 2015, the District levied an ad valorem maintenance tax at the rate of \$0.03 per \$100 of assessed valuation, which resulted in a tax levy of \$349,323 on the adjusted taxable valuation of \$1,164,396,322 for the 2014 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, 2015**

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, 2015**

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 \$87,706 and recorded current operating costs of \$321,740. The following summary

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

NOTE 10. WASTE DISPOSAL AGREEMENT (Continued)

financial data of the wastewater treatment plant is presented for the fiscal year ending September 30, 2014. Separate financial statements are not issued on this joint venture.

	Joint Venture
Total Assets	\$ 265,543
Total Liabilities	214,946
Total Fund Balance	\$ 50,597
Total Revenues	\$ 906,488
Total Expenditures	906,488
Transfer In	4,205
Net Change in Fund Balance	\$ 4,205
Beginning Fund Balance – October 1, 2012	46,392
Ending Fund Balance – September 30, 2013	\$ 50,597

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. Effective April 1, 2014, the rate was \$2.00 per 1,000 gallons of water pumped from each well. The District recorded an expenditure of \$1,187,144 for fees assessed during the current fiscal year.

The District started purchasing water from the Authority in December of 2010. The current rate is \$2.45 per 1,000 gallons of water purchased. The District recorded expenditures of \$424,293 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, 2015**

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
2016	\$ 14,084	\$ 50,911	\$ 64,995
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
2021-2025	106,248	218,726	324,974
2026-2030	142,184	182,790	324,974
2031-2035	190,274	134,700	324,974
2036-2040	254,630	70,345	324,975
2041-2042	75,777	4,779	80,556
	\$ 848,507	\$ 856,920	\$ 1,705,427

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, 2015**

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 \$24,071 in sales tax receipts, of which \$6,489 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

Reimbursement of \$884,422 was withheld from two developers until certain property valuations are reached in accordance with terms of the development financing agreements. During the prior fiscal year, \$311,614 of these reimbursements was cancelled and recorded as capital contributions. The remaining \$572,808 was paid in the current fiscal year.

As of July 31, 2015, five developers had advanced approximately \$23,064,201 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 PAYABLES, RECEIVABLES AND TRANSFERS

The Capital Projects Fund owes the General Fund \$450,531 for projects previously paid by the General Fund and payable from bond proceeds. The General Fund owes the Debt Service Fund \$641 for excess proceeds from the Series 2015 Refunding bonds.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

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.

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. During the current fiscal year, the District expended \$240,094 on these projects.

On May 21, 2015, 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 water plant repairs. During the current fiscal year, the District expended \$153,390 on this project.

NOTE 17. BOND SALES

On March 18, 2014, the District closed on the sale of its Series 2014 \$9,265,000 Unlimited Tax Refunding Bonds to refund outstanding Series 2002 bonds in the amount of \$1,425,000 and outstanding Series 2004 bonds in the amount of \$7,770,000. Bond proceeds of \$9,384,486, plus \$166,000 of available Debt Service Fund monies, 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 \$616,855 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 \$539,240.

Series	Interest Rates	Maturities	Callable Dates	Outstanding at July 31, 2015
2002	4.125%-4.250%	2016-2018	03/19/14	\$ -0-
2004	4.00%-4.50%	2017-2023	11/1/14	-0-
				<u>\$ -0-</u>

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015**

NOTE 17. BOND SALES (Continued)

On June 2, 2015, the District closed on the sale of its Series 2015 \$17,475,000 Unlimited Tax Refunding Bonds to refund a portion of outstanding Series 2004 bonds in the amount of \$2,795,000, Series 2006A bonds in the amount of \$7,680,000 and Series 2006B bonds in the amount of \$6,585,000. Bond proceeds of \$17,670,486, 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 \$1,117,454 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 \$933,641.

Series	Interest Rates	Maturities	Callable Dates	Outstanding at July 31, 2015
2004	4.000%	2025	06/04/15	\$ -0-
2006A	4.500%-4.750%	2018-2026	05/01/16	7,680,000
2006B	4.125%-4.375%	2018-2027	05/01/16	6,585,000
				<u>\$ 14,265,000</u>

Subsequent to year end, on November 12, 2015, the District closed on the sale of its Series 2015A \$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.

NOTE 18. PRIOR PERIOD ADJUSTMENT

The government-wide financial statements were adjusted to better reflect accounting standards pertaining to deferred charges on refunding bonds issued in prior years. The effect of this adjustment is as follows:

Net Position - August 1, 2014	\$ 12,980,459
Effect of Adjustment	<u>261,487</u>
Net Position - August 1, 2014, As Adjusted	<u>\$ 13,241,946</u>

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NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
REQUIRED SUPPLEMENTARY INFORMATION
JULY 31, 2015

**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, 2015**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 340,000	\$ 365,204	\$ 25,204
Sales Tax Receipts	12,000	24,071	12,071
Water Service	1,580,000	1,451,579	(128,421)
Wastewater Service	1,620,000	1,671,868	51,868
Regional Water Authority Fees	1,800,000	1,616,220	(183,780)
Penalty and Interest	65,000	67,709	2,709
Tap Connection and Inspection Fees	300,000	994,698	694,698
Investment Revenues	7,500	5,553	(1,947)
Regional Water Authority Reimbursements	65,000	64,995	(5)
Miscellaneous Revenues	<u> </u>	<u>104,560</u>	<u>104,560</u>
TOTAL REVENUES	<u>\$ 5,789,500</u>	<u>\$ 6,366,457</u>	<u>\$ 576,957</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 340,000	\$ 387,496	\$ (47,496)
Contracted Services	1,498,600	1,459,265	39,335
Purchased Water Service	375,000	424,293	(49,293)
Purchased Wastewater Service	335,000	321,740	13,260
Utilities	471,000	464,141	6,859
Regional Water Authority Assessments	1,260,000	1,187,144	72,856
Repairs and Maintenance	675,000	1,052,732	(377,732)
Other	593,500	841,937	(248,437)
Capital Outlay		52,388	(52,388)
Debt Service			
Bond Issuance Costs	<u> </u>	<u>61,029</u>	<u>(61,029)</u>
TOTAL EXPENDITURES	<u>\$ 5,548,100</u>	<u>\$ 6,252,165</u>	<u>\$ (704,065)</u>
NET CHANGE IN FUND BALANCE	\$ 241,400	\$ 114,292	\$ (127,108)
FUND BALANCE - AUGUST 1, 2014	<u>6,993,230</u>	<u>6,993,230</u>	<u> </u>
FUND BALANCE - JULY 31, 2015	<u>\$ 7,234,630</u>	<u>\$ 7,107,522</u>	<u>\$ (127,108)</u>

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, 2015

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2015**

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	5,001 to 10,000
				\$ 1.75	10,001 to 15,000
				\$ 2.25	15,001 to 20,000
				\$ 2.75	20,001 to 25,000
				\$ 3.25	25,001 and up
WASTEWATER:	\$27.75 *		Y		
SURCHARGE:					
Regional Water Authority Fees				\$ 2.45	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: \$24.50 Total: \$70.75

* 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, 2015**

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	<u> </u>	<u> </u>	x 1.0	<u> </u>
≤ ³ / ₄ "	<u> 5,019</u>	<u> 4,989</u>	x 1.0	<u> 4,989</u>
1"	<u> 339</u>	<u> 339</u>	x 2.5	<u> 848</u>
1½"	<u> 8</u>	<u> 8</u>	x 5.0	<u> 40</u>
2"	<u> 67</u>	<u> 67</u>	x 8.0	<u> 536</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"	<u> </u>	<u> </u>	x 80.0	<u> </u>
10"	<u> </u>	<u> </u>	x 115.0	<u> </u>
Total Water Connections	<u> 5,437</u>	<u> 5,407</u>		<u> 6,528</u>
Total Wastewater Connections	<u> 5,311</u>	<u> 5,285</u>	x 1.0	<u> 5,285</u>

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

Gallons pumped into system:	593,572,000	Water Accountability Ratio: 86.5% (Gallons billed and sold/Gallons pumped and purchased)
Gallons purchased:	174,523,000	From: North Harris County Regional Water Authority
Gallons billed to customers:	664,481,000	

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2015**

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

Does the District have Debt Service standby fees? Yes ___ No X

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

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

Entirely X 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 X

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2015**

PROFESSIONAL FEES:	
Auditing	\$ 28,025
Engineering	147,285
Legal	<u>212,186</u>
TOTAL PROFESSIONAL FEES	<u>\$ 387,496</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 424,293
Purchased Wastewater Service	<u>321,740</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 746,033</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 18,916
Operations and Billing	<u>138,600</u>
TOTAL CONTRACTED SERVICES	<u>\$ 157,516</u>
UTILITIES:	
Electricity	\$ 410,187
Telephone	<u>53,954</u>
TOTAL UTILITIES	<u>\$ 464,141</u>
REPAIRS AND MAINTENANCE	
Water	\$ 428,016
Wastewater	271,293
Detention Ponds	94,978
Landscaping	<u>258,445</u>
TOTAL REPAIRS AND MAINTENANCE	<u>\$ 1,052,732</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2015**

ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 10,350
Dues	565
Insurance	56,012
Office Supplies and Postage	101,522
Payroll Taxes	727
Travel and Meetings	39
Other	<u>15,119</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 184,334</u>
CAPITAL OUTLAY:	
Capitalized Assets	<u>\$ 52,388</u>
TAP CONNECTIONS	<u>\$ 389,675</u>
SOLID WASTE DISPOSAL	<u>\$ 830,955</u>
SECURITY	<u>\$ 470,794</u>
OTHER EXPENDITURES:	
Chemicals	\$ 87,466
Inspection Fees	68,348
Laboratory Fees	45,533
Permit Fees	11,658
Regional Water Authority Assessments	1,187,144
Regulatory Assessment (TCEQ)	15,557
Sludge Hauling	<u>39,366</u>
TOTAL OTHER EXPENDITURES	<u>\$ 1,455,072</u>
DEBT SERVICE:	
Bond Issuance Costs	<u>\$ 61,029</u>
TOTAL EXPENDITURES	<u>\$ 6,252,165</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
INVESTMENTS
JULY 31, 2015**

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	0.0669%	Daily	\$ 1,985,133	\$
Money Market Mutual Fund	XXXX1526	Varies	Daily	323,159	
Money Market Mutual Fund	XXXX9680	Varies	Daily	2,325,025	
Certificate of Deposit	XXXX1052	0.4000%	08/31/15	245,000	405
TOTAL GENERAL FUND				<u>\$ 4,878,317</u>	<u>\$ 405</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0003	0.0669%	Daily	\$ 4,125,160	\$
Money Market Mutual Fund	XXXX8680	Varies	Daily	178,158	
Certificate of Deposit	XXXX1179	0.1500%	06/09/16	245,000	22
Certificate of Deposit	XXXX2514	0.2500%	10/10/15	65,000	49
Certificate of Deposit	XXXX8755	0.1500%	09/21/15	998,375	529
Certificate of Deposit	XXXX2498	0.2500%	01/10/16	90,000	10
Certificate of Deposit	XXXX2506	0.2500%	01/10/16	90,000	11
TOTAL DEBT SERVICE FUND				<u>\$ 5,791,693</u>	<u>\$ 621</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0001	0.0669%	Daily	\$ 33,639	\$
Money Market Mutual Fund	XXXX2680	Varies	Daily	1,094,150	
Certificate of Deposit	XXXX3229	0.1500%	10/30/2015	773,431	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 1,901,220</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 12,571,230</u>	<u>\$ 1,026</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, 2015**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
AUGUST 1, 2014	\$	3,102	\$	75,645
Adjustments to Beginning				
Balance		<u>16,801</u>	\$	<u>(3,039)</u>
		\$	19,903	\$
			<u>72,606</u>	
Original 2014 Tax Levy	\$	330,990	\$	8,385,080
Adjustment to 2014 Tax Levy		<u>18,333</u>	<u>349,323</u>	<u>464,426</u>
TOTAL TO BE				<u>8,849,506</u>
ACCOUNTED FOR		\$	369,226	\$
				8,922,112
TAX COLLECTIONS:				
Prior Years	\$	18,185	\$	31,356
Current Year		<u>347,019</u>	<u>365,204</u>	<u>8,791,145</u>
				<u>8,822,501</u>
TAXES RECEIVABLE -				
JULY 31, 2014		<u>\$</u>	<u>4,022</u>	<u>\$</u>
				<u>99,611</u>
TAXES RECEIVABLE BY				
YEAR:				
2014		\$	2,304	\$
2013			543	58,361
2012			410	13,752
2011			226	10,394
2010			255	5,731
2009 and prior			<u>284</u>	<u>6,552</u>
TOTAL		<u>\$</u>	<u>4,022</u>	<u>\$</u>
				<u>99,611</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, 2015**

	2014	2013	2012	2011
PROPERTY VALUATIONS:				
Land	\$ 21,379,713	\$ 14,766,696	\$ 14,068,229	\$ 13,755,787
Improvements	1,164,062,698	1,037,570,191	942,362,767	925,395,913
Personal Property	16,658,408	21,078,563	19,651,991	25,808,917
Exemptions	(37,704,497)	(37,147,168)	(29,285,426)	(33,053,801)
TOTAL PROPERTY VALUATIONS	\$ 1,164,396,322	\$ 1,036,268,282	\$ 946,797,561	\$ 931,906,816
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.76	\$ 0.76	\$ 0.76	\$ 0.76
Maintenance **	0.03	0.03	0.03	0.03
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.79	\$ 0.79	\$ 0.79	\$ 0.79
ADJUSTED TAX LEVY*	\$ 9,198,829	\$ 8,188,221	\$ 7,475,286	\$ 7,361,981
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	99.34 %	99.83 %	99.86 %	99.92 %

* 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, 2015**

S E R I E S - 2 0 0 4			
Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2016	\$ 895,000	\$ 35,800	\$ 930,800
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	\$ 895,000	\$ 35,800	\$ 930,800

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2015**

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
2016	\$ 635,000	\$ 102,700	\$ 737,700
2017	670,000	67,775	737,775
2018		37,625	37,625
2019		37,625	37,625
2020		37,625	37,625
2021		37,625	37,625
2022		37,625	37,625
2023		37,625	37,625
2024		37,625	37,625
2025		37,625	37,625
2026		37,625	37,625
2027	1,075,000	37,625	1,112,625
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	<u>\$ 2,380,000</u>	<u>\$ 546,725</u>	<u>\$ 2,926,725</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2015**

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
2016	\$ 480,000	\$ 49,000	\$ 529,000
2017	505,000	20,200	525,200
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	\$ 985,000	\$ 69,200	\$ 1,054,200

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2015**

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
2016	\$ 425,000	\$ 476,669	\$ 901,669
2017	445,000	459,669	904,669
2018	470,000	441,869	911,869
2019	490,000	423,069	913,069
2020	515,000	403,469	918,469
2021	545,000	382,869	927,869
2022	570,000	355,619	925,619
2023	600,000	327,119	927,119
2024	630,000	302,369	932,369
2025	665,000	276,381	941,381
2026	700,000	248,119	948,119
2027	735,000	218,369	953,369
2028	770,000	187,131	957,131
2029	810,000	154,406	964,406
2030	855,000	119,981	974,981
2031	895,000	82,575	977,575
2032	940,000	42,300	982,300
2033			
2034			
	\$ 11,060,000	\$ 4,901,983	\$ 15,961,983

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2015**

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	
2016	\$ 405,000	\$ 482,210	\$	887,210
2017	430,000	468,035		898,035
2018	450,000	451,910		901,910
2019	475,000	435,035		910,035
2020	505,000	417,222		922,222
2021	535,000	397,023		932,023
2022	565,000	375,622		940,622
2023	595,000	352,740		947,740
2024	630,000	328,047		958,047
2025	665,000	301,273		966,273
2026	700,000	272,345		972,345
2027	740,000	241,195		981,195
2028	785,000	207,895		992,895
2029	825,000	171,000		996,000
2030	875,000	131,813		1,006,813
2031	925,000	90,250		1,015,250
2032	975,000	46,313		1,021,313
2033				
2034				
	\$ 11,080,000	\$ 5,169,928	\$	16,249,928

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2015**

REFUNDING SERIES - 2010

Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2016	\$ 1,120,000	\$ 272,513	\$ 1,392,513
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			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	<u>\$ 8,385,000</u>	<u>\$ 1,164,963</u>	<u>\$ 9,549,963</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2015**

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
2016	\$ 325,000	\$ 262,182	\$ 587,182
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
	\$ 9,050,000	\$ 3,032,295	\$ 12,082,295

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2015**

REFUNDING SERIES - 2014

Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2016	\$ 515,000	\$ 268,300	\$ 783,300
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			
	<u>\$ 9,200,000</u>	<u>\$ 1,336,825</u>	<u>\$ 10,536,825</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2015**

REFUNDING SERIES - 2015

Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2016	\$ 140,000	\$ 514,869	\$ 654,869
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			
	<u>\$ 17,475,000</u>	<u>\$ 4,341,544</u>	<u>\$ 21,816,544</u>

See accompanying independent auditor's report.

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**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2015**

**ANNUAL REQUIREMENTS
FOR ALL SERIES**

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2016	\$ 4,940,000	\$ 2,464,243	\$ 7,404,243
2017	5,115,000	2,322,948	7,437,948
2018	5,330,000	2,161,860	7,491,860
2019	5,015,000	1,994,335	7,009,335
2020	4,765,000	1,832,273	6,597,273
2021	4,975,000	1,676,986	6,651,986
2022	5,165,000	1,509,259	6,674,259
2023	5,390,000	1,328,752	6,718,752
2024	4,695,000	1,138,023	5,833,023
2025	4,915,000	967,260	5,882,260
2026	3,625,000	786,920	4,411,920
2027	3,775,000	659,270	4,434,270
2028	2,080,000	520,358	2,600,358
2029	2,180,000	434,987	2,614,987
2030	2,300,000	345,025	2,645,025
2031	2,410,000	248,956	2,658,956
2032	2,530,000	147,045	2,677,045
2033	640,000	39,981	679,981
2034	665,000	20,782	685,782
	<u>\$ 70,510,000</u>	<u>\$ 20,599,263</u>	<u>\$ 91,109,263</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, 2015**

Description	Original Bonds Issued	Bonds Outstanding August 1, 2014
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2002	\$ 8,250,000	\$ 425,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2004	18,250,000	4,540,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2006-A	14,190,000	10,665,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2006-B	10,720,000	8,030,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2008	13,505,000	11,465,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2009	13,090,000	11,465,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Refunding Bonds - Series 2010	11,470,000	9,455,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2013	9,660,000	9,360,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Refunding Bonds - Series 2014	9,265,000	9,265,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Refunding Bonds - Series 2015	<u>17,475,000</u>	
TOTAL	<u><u>\$ 125,875,000</u></u>	<u><u>\$ 74,670,000</u></u>

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding July 31, 2015</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 425,000	\$ 17,000	\$ -0-	Wells Fargo Bank N.A. Houston, TX
	3,645,000	181,600	895,000	Wells Fargo Bank N.A. Houston, TX
	8,285,000	487,738	2,380,000	Wells Fargo Bank N.A. Houston, TX
	7,045,000	348,294	985,000	Wells Fargo Bank N.A. Houston, TX
	405,000	492,869	11,060,000	Wells Fargo Bank N.A. Houston, TX
	385,000	495,685	11,080,000	Wells Fargo Bank N.A. Houston, TX
	1,070,000	307,287	8,385,000	Wells Fargo Bank N.A. Houston, TX
	310,000	268,381	9,050,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	65,000	269,600	9,200,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>17,475,000</u>			<u>17,475,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 17,475,000</u>	<u>\$ 21,635,000</u>	<u>\$ 2,868,454</u>	<u>\$ 70,510,000</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, 2015**

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>115,500,000</u>	<u> </u>	
Remaining to be Issued	<u>\$ 128,400,000</u>	<u>\$ 8,000,000</u>	
Debt Service Fund cash and investment balances as of July 31, 2015			<u>\$ 6,275,712</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 4,795,224</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		
	2015	2014	2013
REVENUES			
Property Taxes	\$ 365,204	\$ 320,530	\$ 284,599
Sales Tax Receipts	24,071	11,968	17,576
Water Service	1,451,579	1,511,738	1,579,928
Wastewater Service	1,671,868	1,550,492	1,491,127
Regional Water Authority Fees	1,616,220	1,564,901	1,606,507
Penalty and Interest	67,709	64,384	58,409
Tap Connection and Inspection Fees	994,698	424,030	255,960
Investment Revenues	5,553	5,871	8,557
Regional Water Authority Reimbursements	64,995	64,995	64,995
Miscellaneous Revenues	104,560	83,745	102,974
TOTAL REVENUES	\$ 6,366,457	\$ 5,602,654	\$ 5,470,632
EXPENDITURES			
Salaries and Benefits	\$	\$	\$
Professional Fees	387,496	331,344	302,297
Contracted Services	1,459,265	1,432,588	1,247,921
Purchased Water Service	424,293	325,849	402,556
Purchased Wastewater Service	321,740	348,311	304,540
Utilities	464,141	364,577	431,841
Regional Water Authority Assessments	1,187,144	1,107,609	1,105,387
Repairs and Maintenance	1,052,732	752,253	527,190
Other	841,937	514,897	487,690
Capital Outlay	52,388	38,668	
Bond Issuance Costs	61,029		
TOTAL EXPENDITURES	\$ 6,252,165	\$ 5,216,096	\$ 4,809,422
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 114,292	\$ 386,558	\$ 661,210
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ - 0 -	\$ 2,171,204
SPECIAL ITEMS			
Shaw Acres Water Line	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 114,292	\$ 386,558	\$ 2,832,414
BEGINNING FUND BALANCE	6,993,230	6,606,672	3,774,258
ENDING FUND BALANCE	\$ 7,107,522	\$ 6,993,230	\$ 6,606,672

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2012	2011	2015	2014	2013	2012	2011
\$ 279,365	\$ 273,075	5.7 %	5.7 %	5.2 %	5.1 %	5.3 %
		0.4	0.2	0.3		
1,632,210	1,644,163	22.8	27.0	28.9	30.0	31.9
1,423,502	1,366,059	26.3	27.7	27.2	26.2	26.5
1,571,097	1,544,838	25.4	27.9	29.4	28.9	30.0
72,088	49,601	1.1	1.1	1.1	1.3	1.0
326,420	198,250	15.6	7.6	4.7	6.0	3.9
12,119	12,744	0.1	0.1	0.1	0.2	0.2
48,746		1.0	1.2	1.2	0.9	
76,786	59,677	1.6	1.5	1.9	1.4	1.2
<u>\$ 5,442,333</u>	<u>\$ 5,148,407</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 56,250	\$ 306,250				1.0 %	5.9 %
305,229	283,938	6.1	5.9	5.5	5.6	5.5
1,060,233	1,057,715	22.9	25.6	22.8	19.5	20.5
266,574	597,773	6.7	5.8	7.4	4.9	11.6
272,485	301,767	5.1	6.2	5.6	5.0	5.9
451,085	436,607	7.3	6.5	7.9	8.3	8.5
1,211,546	1,063,157	18.6	19.8	20.2	22.3	20.7
589,511	587,531	16.5	13.4	9.6	10.8	11.4
519,484	493,357	13.2	9.2	8.9	9.5	9.6
995,277	418,162	0.8	0.7		18.3	8.1
		1.0				
<u>\$ 5,727,674</u>	<u>\$ 5,546,257</u>	<u>98.2 %</u>	<u>93.1 %</u>	<u>87.9 %</u>	<u>105.2 %</u>	<u>107.7 %</u>
<u>\$ (285,341)</u>	<u>\$ (397,850)</u>	<u>1.8 %</u>	<u>6.9 %</u>	<u>12.1 %</u>	<u>(5.2) %</u>	<u>(7.7) %</u>
\$ (2,936,995)	\$ 213,132					
\$ 1,164,000	\$ 3,655,193					
\$ (2,058,336)	\$ 3,470,475					
5,832,594	2,362,119					
<u>\$ 3,774,258</u>	<u>\$ 5,832,594</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		
	2015	2014	2013
REVENUES			
Property Taxes	\$ 8,822,501	\$ 7,947,984	\$ 7,208,095
Penalty and Interest	38,664	31,684	70,428
Investment Revenues	5,605	5,544	9,257
TOTAL REVENUES	\$ 8,866,770	\$ 7,985,212	\$ 7,287,780
EXPENDITURES			
Tax Collection Expenditures	\$ 104,945	\$ 80,930	\$ 89,932
Debt Service Principal	4,575,000	4,740,000	4,240,000
Debt Service Interest and Fees	2,873,754	2,992,593	3,092,951
Bond Issuance Costs	488,039	343,596	
Payment to Refunded Bond Escrow Agent		166,000	
TOTAL EXPENDITURES	\$ 8,041,738	\$ 8,323,119	\$ 7,422,883
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 825,032	\$ (337,907)	\$ (135,103)
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$	\$	\$
Refunding Bonds	17,475,000	9,265,000	
Payment to Refunded Bond Escrow Agent	(17,670,486)	(9,384,486)	
Long-Term Debt Issued			274,381
Bond Premium	684,167	463,083	
TOTAL OTHER FINANCING SOURCES (USES)	\$ 488,681	\$ 343,597	\$ 274,381
NET CHANGE IN FUND BALANCE	\$ 1,313,713	\$ 5,690	\$ 139,278
BEGINNING FUND BALANCE	4,961,701	4,956,011	4,816,733
ENDING FUND BALANCE	\$ 6,275,414	\$ 4,961,701	\$ 4,956,011
TOTAL ACTIVE RETAIL WATER CONNECTIONS	5,407	4,895	4,638
TOTAL ACTIVE RETAIL WASTEWATER			

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2012	2011	2015	2014	2013	2012	2011
\$ 7,068,293	\$ 6,981,988	99.5 %	99.5 %	98.9 %	98.9 %	98.4 %
62,659	87,873	0.4	0.4	1.0	0.9	1.3
16,464	23,991	0.1	0.1	0.1	0.2	0.3
<u>\$ 7,147,416</u>	<u>\$ 7,093,852</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 75,679	\$ 99,427	1.2 %	1.0 %	1.2 %	1.1 %	1.4 %
6,955,000	3,985,000	51.6	59.4	58.2	97.3	56.2
3,381,549	3,384,680	32.4	37.5	42.4	47.3	47.7
	275,769	5.5	4.3			3.9
			2.1			
<u>\$ 10,412,228</u>	<u>\$ 7,744,876</u>	<u>90.7 %</u>	<u>104.3 %</u>	<u>101.8 %</u>	<u>145.7 %</u>	<u>109.2 %</u>
\$ (3,264,812)	\$ (651,024)	9.3 %	(4.3) %	(1.8) %	(45.7) %	(9.2) %
\$ 2,936,995	\$					
	11,470,000					
	(11,179,737)					
<u>\$ 2,936,995</u>	<u>\$ 290,263</u>					
\$ (327,817)	\$ (360,761)					
5,144,550	5,505,311					
<u>\$ 4,816,733</u>	<u>\$ 5,144,550</u>					
<u>4,470</u>	<u>4,305</u>					

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2015**

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, 2015	Expense Reimbursements for the year ended July 31, 2015	Title
Harry S. Stollmack	05/12 05/16 (Elected)	\$ 1,500	\$ 15	President
Michael Bell	05/12 05/16 (Elected)	\$ 4,650	\$ 24	Vice President
Jeff Collins	05/14 05/18 (Elected)	\$ 1,950	\$ -0-	Secretary
James M. Kipp	05/12 05/16 (Elected)	\$ 600	\$ -0-	Director
James Adams	12/14 05/18 (Appointed)	\$ 1,350	\$ -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): June 13, 2013.

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, 2015**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2015</u>	<u>Title</u>
Smith, Murdaugh, Little & Bonham, L.L.P.	04/10/75	\$ 212,186	General Counsel
	01/21/88	\$ 186,622	Bond Counsel
		\$ 8,866	Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	07/16/87	\$ 29,775	Auditor
Municipal Business Services, Inc.	08/15/91	\$ 18,916	Bookkeeper
Costello, Inc.	03/27/03	\$ 232,649	Engineer
First Southwest Company, LLC	03/19/15	\$ 85,034	Financial Advisor
Bob Ideus	06/17/99	\$ -0-	Investment Officer
Municipal District Services	12/01/07	\$1,725,696	Operator
Mike Sullivan Harris County Tax Assessor/Collector	07/01/06	\$ 8,366	Tax Assessor/ Collector

See accompanying independent auditor's report.

