

**NORTHWEST HARRIS COUNTY**  
**MUNICIPAL UTILITY DISTRICT NO. 5**  
**HARRIS COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**JULY 31, 2018**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
Certified Public Accountants



**NORTHWEST HARRIS COUNTY**  
**MUNICIPAL UTILITY DISTRICT NO. 5**  
**HARRIS COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**JULY 31, 2018**



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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, 2018, 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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

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

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

November 15, 2018



**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2018**

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, 2018. Please read it in conjunction with the District’s financial statements.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

The Statement of Net Position includes all of the District’s assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District’s net position changed during the current fiscal year. All current year revenues and 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 collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2018**

**FUND FINANCIAL STATEMENTS (Continued)**

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental 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 and deferred outflows of resources exceeded liabilities by \$29,398,014 as of July 31, 2018.

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, 2018**

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

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 34,121,398	\$ 34,281,190	\$ (159,792)
Capital Assets (Net of Accumulated Depreciation)	119,044,881	108,855,341	10,189,540
Total Assets	<u>\$ 153,166,279</u>	<u>\$ 143,136,531</u>	<u>\$ 10,029,748</u>
Deferred Outflows of Resources	\$ 2,595,011	\$ 2,852,509	\$ (257,498)
Long-Term Liabilities	\$ 102,784,094	\$ 86,713,632	\$ (16,070,462)
Due to Developers	12,833,545	8,861,889	(3,971,656)
Other Liabilities	10,745,637	25,912,597	15,166,960
Total Liabilities	<u>\$ 126,363,276</u>	<u>\$ 121,488,118</u>	<u>\$ (4,875,158)</u>
Net Position:			
Net Investment in Capital Assets	\$ 5,139,895	\$ 2,098,716	\$ 3,041,179
Restricted	12,716,388	11,557,639	1,158,749
Unrestricted	11,541,731	10,844,567	697,164
Total Net Position	<u>\$ 29,398,014</u>	<u>\$ 24,500,922</u>	<u>\$ 4,897,092</u>

The following table provides a summary of the District's operations for the years ended July 31, 2018, and July 31, 2017.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 13,658,513	\$ 12,522,584	\$ 1,135,929
Sales Tax Receipts	42,485	32,386	10,099
Charges for Services	8,942,408	8,033,641	908,767
Other Revenues	712,031	471,955	240,076
Total Revenues	<u>\$ 23,355,437</u>	<u>\$ 21,060,566</u>	<u>\$ 2,294,871</u>
Expenses for Services	18,458,345	15,010,317	(3,448,028)
Change in Net Position	\$ 4,897,092	\$ 6,050,249	\$ (1,153,157)
Net Position, Beginning of Year	24,500,922	18,450,673	6,050,249
Net Position, End of Year	<u>\$ 29,398,014</u>	<u>\$ 24,500,922</u>	<u>\$ 4,897,092</u>

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2018**

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

The District's combined fund balances as of July 31, 2018, were \$30,445,753, a decrease of \$458,922 from the prior year.

The General Fund fund balance increased by \$722,200, primarily due to operating revenues exceeding operating expenditures and a transfer from the Capital Projects Fund.

The Debt Service Fund fund balance increased by \$1,171,110, primarily due to the timing of property tax collections and the structure of the District's debt service payments.

The Capital Projects Fund fund balance decreased by \$2,352,232, primarily due to the sale of Series 2017 bonds and the retirement of the Series 2016 Bond Anticipation Note.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District did not amend the budget during the fiscal year. Actual revenues were \$343,815 more than budgeted revenues. Actual expenditures were \$4,857,723 less than budgeted expenditures primarily due to less capital costs that anticipated.

**CAPITAL ASSETS**

Capital assets as of July 31, 2018, total \$119,044,881 (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 facilities to serve Wildwood at Oakcrest North Sections 16, 17, 18, 19, 20, 22 and 24; Enclave at Northpointe Sections 6 and 7 and Hayden Lakes, Section 9; Telge Ranch Section 1; Wildwood at Northpointe Section 25; Tall Chestnut Street Dedication, Section 1; Lift Station No. 1 to serve Telge Ranch; Lift Station No. 1 to serve Wildwood at Oakcrest; Grant Road waterline relocation; Telge Road sanitary sewer line installation; Bleach System installation at Water Plants No. 1, 2, 3 and 4 and at Wastewater Treatment Plants No. 1 and 2; Detention Pond facilities to serve Telge Ranch; and land acquisitions.

Construction in progress includes Telge Road waterline relocation, landscaping design for parks and trails, Water Plant No. 3 improvements, and Treeline North Detention Pond rehabilitation.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2018**

**CAPITAL ASSETS (Continued)**

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 9,825,005	\$ 8,962,129	\$ 862,876
Construction in Progress	607,975	339,238	268,737
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	182,185	191,781	(9,596)
Water System	24,364,553	22,922,931	1,441,622
Wastewater System	38,330,263	34,015,679	4,314,584
Drainage System	45,734,900	42,423,583	3,311,317
Total Net Capital Assets	\$ 119,044,881	\$ 108,855,341	\$ 10,189,540

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, 2018, the District had total long-term debt payable of \$107,655,000. The changes in the debt position of the District during the fiscal year ended July 31, 2018, are summarized as follows:

Bond Debt Payable, August 1, 2017	\$ 90,660,000
Add: Series 2017 Bond Sale	24,690,000
Less: Bond Principal Paid	7,695,000
Bond Debt Payable, July 31, 2018	\$ 107,655,000

The District’s bonds carry an underlying rating of “A2” from Moody’s Investors Service.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2018**

**LONG-TERM DEBT ACTIVITY** (Continued)

The Series 2013 Bonds and Series 2016 Refunding Bonds carry insured ratings of “A2” and “AA” based on insurance issued by Assured Guaranty Municipal Corporation.

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

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

The Series 2015 Refunding Bonds, the Series 2015-A and Series 2017 Bonds carry an insured rating of “AA” based on insurance issued by Build America Mutual Assurance Company.

**SUBSEQUENT EVENTS**

Subsequent to year-end, on September 13, 2018, the District closed on the sale of its Series 2018 \$20,760,000 Unlimited Tax Bonds and Series 2018A \$8,000,000 Unlimited Tax Park Bonds. The District used proceeds of the bonds to reimburse certain developers for the construction and engineering of facilities to serve Enclave at Northpointe Sections 6 and 7, Hayden Lakes, Section 9 Improvements, Wildwood at Oakcrest North Sections 16, 17, 18, 19, 20, 22 and 24, Telge Ranch, Section 1, Wildwood at Northpointe, Section 25 and Tall Chestnut Street Dedication, Section 1; Telge Ranch Lift Station No. 1; Telge Ranch Stormwater Detention Facility Pond D; and Wildwood at Oakcrest North Lift Station No. 1. Additional proceeds will be used to fund the construction of Rock Creek Lake Erosion, Pond No. 1 rehabilitation; Telge Road waterline relocation; Wildwood Lift Station force main relocation; Telge Ranch land acquisitions; Trail System, Phase 1 and land acquisition; and bond issuance costs.

Subsequent to year-end, on October 9, 2018, the Commission approved the use of surplus funds in the amount of \$134,122 to reimburse certain developers and to pay the District’s engineer for the balance due on costs associated with storm water pollution prevention planning fees, clearing and mass grading and detention pond rehabilitation in Treeline North and Hayden Lakes, Section 11 drainage study.

**CONTACTING THE DISTRICT’S MANAGEMENT**

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Northwest Harris County Municipal Utility District No. 5, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, TX 77019.



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**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
JULY 31, 2018**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 1,140,254	\$ 9,565
Investments	10,828,070	10,768,073
Cash with Harris County Tax Office		20,686
Receivables:		
Property Taxes	17,491	190,694
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$4,000)	892,155	
Accrued Interest	20,798	29,949
Due from City of Houston	10,568	
Due from Other Funds	28,173	
Prepaid Costs	108,399	
Advance for Regional Wastewater Treatment Plant Operations	81,182	
Regional Water Authority Chloramine Conversion Receivable		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 13,127,090</b>	<b>\$ 11,018,967</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 13,127,090</b>	<b>\$ 11,018,967</b>

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>
\$ 543,515	\$ 1,693,334	\$	\$ 1,693,334
8,483,520	30,079,663		30,079,663
	20,686		20,686
	208,185		208,185
		72,940	72,940
	892,155		892,155
	50,747		50,747
	10,568		10,568
	28,173	(28,173)	
	108,399	99,870	208,269
	81,182		81,182
		803,669	803,669
		9,825,005	9,825,005
		607,975	607,975
		<u>108,611,901</u>	<u>108,611,901</u>
<u>\$ 9,027,035</u>	<u>\$ 33,173,092</u>	<u>\$ 119,993,187</u>	<u>\$ 153,166,279</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,595,011</u>	<u>\$ 2,595,011</u>
<u>\$ 9,027,035</u>	<u>\$ 33,173,092</u>	<u>\$ 122,588,198</u>	<u>\$ 155,761,290</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, 2018**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 772,602	\$
Accrued Interest Payable		
Due to Other Governments	457,061	
Retainage Payable	4,427	
Due to Developers		
Due to Other Funds		3,837
Security Deposits	1,171,758	
Unearned Tap Revenues	83,050	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
<b>TOTAL LIABILITIES</b>	\$ 2,488,898	\$ 3,837
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 17,491	\$ 190,694
<b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 108,399	\$
Advance for Wastewater Treatment Plant Operations	81,182	
Restricted for Authorized Construction:		
Bond Proceeds		
Net Investment Revenues		
Restricted for Debt Service		10,824,436
Unassigned	10,431,120	
<b>TOTAL FUND BALANCES</b>	\$ 10,620,701	\$ 10,824,436
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	\$ 13,127,090	\$ 11,018,967
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for:		
Debt Service		
Capital Projects		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 2,083	\$ 774,685	\$	\$ 774,685
		874,656	874,656
	457,061		457,061
	4,427		4,427
		12,833,545	12,833,545
24,336	28,173	(28,173)	
	1,171,758		1,171,758
	83,050		83,050
		7,380,000	7,380,000
		102,784,094	102,784,094
<u>\$ 26,419</u>	<u>\$ 2,519,154</u>	<u>\$ 123,844,122</u>	<u>\$ 126,363,276</u>
<u>\$ -0-</u>	<u>\$ 208,185</u>	<u>\$ (208,185)</u>	<u>\$ -0-</u>
\$	\$ 108,399	\$ (108,399)	\$
	81,182	(81,182)	
6,497,642	6,497,642	(6,497,642)	
2,502,974	2,502,974	(2,502,974)	
	10,824,436	(10,824,436)	
	10,431,120	(10,431,120)	
<u>\$ 9,000,616</u>	<u>\$ 30,445,753</u>	<u>\$ (30,445,753)</u>	<u>\$ - 0 -</u>
<u>\$ 9,027,035</u>	<u>\$ 33,173,092</u>		
		\$ 5,139,895	\$ 5,139,895
		10,213,414	10,213,414
		2,502,974	2,502,974
		11,541,731	11,541,731
		<u>\$ 29,398,014</u>	<u>\$ 29,398,014</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, 2018**

Total Fund Balances - Governmental Funds	\$ 30,445,753
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Amounts reported for governmental activities in the Statement of Net Position are different because:

The difference between the net carrying amount of refunded bonds and the reacquisition price is recorded as a deferred outflow of resources 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.	2,595,011
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Bond insurance premiums paid at closing are amortized over the term of the debt in the government-wide financial statements.	99,870
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Long-term receivables are not current financial resources and, therefore, are not reported as assets in the governmental funds.	803,669
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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.	119,044,881
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenues in the governmental activities of the District.	281,125
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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	\$ (12,833,545)	
Accrued Interest Payable	(874,656)	
Bonds Payable Within One Year	(7,380,000)	
Bonds Payable After One Year	<u>(102,784,094)</u>	<u>(123,872,295)</u>

Total Net Position - Governmental Activities	<u>\$ 29,398,014</u>
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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, 2018**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 1,405,604	\$ 12,282,395
Sales Tax Receipts	42,485	
Water Service	2,157,644	
Wastewater Service	2,174,059	
Regional Water Authority Fees	3,491,139	
Penalty and Interest	88,503	90,007
Tap Connection and Inspection Fees	943,499	
Investment Revenues	147,829	174,758
Regional Water Authority Reimbursements	64,995	
Miscellaneous Revenues	198,048	213
<b>TOTAL REVENUES</b>	<b>\$ 10,713,805</b>	<b>\$ 12,547,373</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 505,866	\$ 24,081
Contracted Services	1,850,876	116,468
Purchased Water Service	766,842	
Purchased Wastewater Service	369,515	
Utilities	438,673	
Regional Water Authority Assessments	2,572,637	
Repairs and Maintenance	1,587,833	
Depreciation		
Other	1,240,852	35
Capital Outlay	793,796	
Debt Service:		
Bond Anticipation Note Principal		
Bond Anticipation Note Interest		
Bond Principal		7,695,000
Bond Interest		3,540,679
Bond Issuance Costs	68,238	
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 10,195,128</b>	<b>\$ 11,376,263</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 518,677</b>	<b>\$ 1,171,110</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In(Out)	\$ 203,523	\$
Long-Term Debt Issued		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 203,523</b>	<b>\$ -0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 722,200</b>	<b>\$ 1,171,110</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - AUGUST 1, 2017</b>	<b>9,898,501</b>	<b>9,653,326</b>
<b>FUND BALANCES/NET POSITION - JULY 31, 2018</b>	<b>\$ 10,620,701</b>	<b>\$ 10,824,436</b>

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



Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 13,687,999	\$ (29,486)	\$ 13,658,513
	42,485		42,485
	2,157,644		2,157,644
	2,174,059		2,174,059
	3,491,139		3,491,139
	178,510	(2,443)	176,067
	943,499		943,499
142,013	464,600	49,170	513,770
	64,995	(64,995)	
	198,261		198,261
<u>\$ 142,013</u>	<u>\$ 23,403,191</u>	<u>\$ (47,754)</u>	<u>\$ 23,355,437</u>
\$	\$ 529,947	\$	\$ 529,947
985	1,968,329		1,968,329
	766,842		766,842
	369,515		369,515
	438,673		438,673
	2,572,637		2,572,637
	1,587,833		1,587,833
		3,669,544	3,669,544
500	1,241,387		1,241,387
9,407,357	10,201,153	(9,887,428)	313,725
16,355,000	16,355,000	(16,355,000)	
11,807	11,807		11,807
	7,695,000	(7,695,000)	
	3,540,679	174,116	3,714,795
1,205,073	1,273,311		1,273,311
<u>\$ 26,980,722</u>	<u>\$ 48,552,113</u>	<u>\$ (30,093,768)</u>	<u>\$ 18,458,345</u>
<u>\$ (26,838,709)</u>	<u>\$ (25,148,922)</u>	<u>\$ 25,148,922</u>	<u>\$ -0-</u>
\$ (203,523)	\$	\$	\$
24,690,000	24,690,000	(24,690,000)	
<u>\$ 24,486,477</u>	<u>\$ 24,690,000</u>	<u>\$ (24,690,000)</u>	<u>\$ -0-</u>
\$ (2,352,232)	\$ (458,922)	\$ 458,922	\$
		4,897,092	4,897,092
11,352,848	30,904,675	(6,403,753)	24,500,922
<u>\$ 9,000,616</u>	<u>\$ 30,445,753</u>	<u>\$ (1,047,739)</u>	<u>\$ 29,398,014</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, 2018**

Net Change in Fund Balances - Governmental Funds	\$ (458,922)
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.	(29,486)
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.	(2,443)
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.	(15,825)
Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(3,669,544)
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.	9,887,428
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.	24,050,000
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.	(174,116)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	<u>(24,690,000)</u>
Change in Net Position - Governmental Activities	<u>\$ 4,897,092</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, 2018**

**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 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, 2018**

**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”).

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, 2018**

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

Financial Statement Presentation (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Basis of Accounting

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

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
JULY 31, 2018**

**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 inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

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 budget was not amended during the current fiscal year.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
JULY 31, 2018**

**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 wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

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

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

*Nonspendable*: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted*: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

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

*Assigned*: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District did 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, 2018**

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

Measurement Focus (Continued)

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

Accounting Estimates

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

**NOTE 3. LONG-TERM DEBT**

	Series 2008	Series 2009	Refunding Series 2010
Amount Outstanding – July 31, 2018	\$ 1,005,000	\$ 980,000	\$ 4,880,000
Interest Rates	4.00%	3.75% - 4.00%	3.25%
Maturity Dates - Serially Beginning/Ending	May 1, 2019/2020	May 1, 2019/2020	May 1, 2023
Interest Payment Dates	November 1/ May 1	November 1/ May 1	November 1/ May 1
Callable Dates	May 1, 2019*	May 1, 2019*	May 1, 2020*

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



**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
JULY 31, 2018**

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

	<u>Series 2013</u>	<u>Refunding Series 2014</u>	<u>Refunding Series 2015</u>
Amount Outstanding – July 31, 2018	\$ 8,035,000	\$ 5,705,000	\$ 15,915,000
Interest Rates	3.00% - 3.125%	3.00% - 3.50%	3.00% - 3.50%
Maturity Dates - Serially Beginning/Ending	May 1, 2019/2034	May 1, 2019/2023	May 1, 2019/2027
Interest Payment Dates	November 1/ May 1	November 1/ May 1	November 1/ May 1
Callable Dates	May 1, 2021*	Not Applicable	May 1, 2022*
	<u>Series 2015-A</u>	<u>Refunding Series 2016</u>	<u>Series 2017</u>
Amount Outstanding – July 31, 2018	\$ 29,275,000	\$ 18,195,000	\$ 23,665,000
Interest Rates	2.00% - 4.00%	2.00% - 4.00%	2.00% - 4.00%
Maturity Dates - Serially Beginning/Ending	May 1, 2019/2026, 2028, 2029/2040	May 1, 2019/2032	May 1, 2019/2029, 2031, 2032/2037, 2039, 2041
Interest Payment Dates	November 1/ May 1	November 1/ May 1	November 1/ May 1
Callable Dates	May 1, 2023*	May 1, 2025*	May 1, 2024*

\* 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 2015-A term bonds maturing May 1, 2028 are subject to mandatory redemption beginning May 1, 2027, by lot or other customary random method. The Series 2017 term bonds maturing May 1, 2031, May 1, 2039 and May 1, 2041 are subject to mandatory redemption beginning May 1, 2030, May 1, 2038 and May 1, 2040, respectively, by lot or other customary random method.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
JULY 31, 2018**

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

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2018:

	August 1, 2017	Additions	Retirements	July 31, 2018
Bonds Payable	\$ 90,660,000	\$ 24,690,000	\$ 7,695,000	\$ 107,655,000
Bond Anticipation Note	16,355,000		16,355,000	
Unamortized Discounts	(80,041)		(25,818)	(54,223)
Unamortized Premiums	2,803,673		240,356	2,563,317
Bonds Payable, Net	<u>\$ 109,738,632</u>	<u>\$ 24,690,000</u>	<u>\$ 24,264,538</u>	<u>\$ 110,164,094</u>
			Amount Due Within One Year	\$ 7,380,000
			Amount Due After One Year	102,784,094
			Bonds Payable, Net	<u>\$ 110,164,094</u>

As of July 31, 2018, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 7,380,000	\$ 3,498,625	\$ 10,878,625
2020	7,130,000	3,242,064	10,372,064
2021	7,340,000	2,992,276	10,332,276
2022	7,510,000	2,793,451	10,303,451
2023	7,725,000	2,576,444	10,301,444
2024-2028	30,745,000	9,443,083	40,188,083
2029-2033	21,610,000	5,154,614	26,764,614
2034-2038	12,465,000	2,227,944	14,692,944
2039-2041	5,750,000	357,986	6,107,986
	<u>\$ 107,655,000</u>	<u>\$ 32,286,487</u>	<u>\$ 139,941,487</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 \$71,765,000 for utilities and refundings, and \$8,000,000 for parks and recreation.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
JULY 31, 2018**

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

During the year ended July 31, 2018, the District levied an ad valorem debt service tax at the rate of \$0.70 per \$100 of assessed valuation, which resulted in a tax levy of \$12,109,442 on the adjusted taxable valuation of \$1,728,899,115 for the 2017 tax year. The bond orders require the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

The District's tax calendar is as follows:

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

**NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**

- A. The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148 (f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each 5<sup>th</sup> year anniversary of each issue.
- B. The bond orders state that the District is required to annually provide continuing disclosure of certain general financial information and operating data to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
JULY 31, 2018**

**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 \$11,613,334 and the bank balances were \$12,023,576. Of the bank balances, \$7,700,000 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, 2018, as listed below:

	Cash	Certificates of Deposit	Total
	<u>          </u>	<u>          </u>	<u>          </u>
GENERAL FUND	\$ 1,140,254	\$ 3,600,000	\$ 4,740,254
DEBT SERVICE FUND	9,565	6,320,000	6,329,565
CAPITAL PROJECTS FUND	<u>543,515</u>	<u>          </u>	<u>543,515</u>
TOTAL DEPOSITS	<u>\$ 1,693,334</u>	<u>\$ 9,920,000</u>	<u>\$ 11,613,334</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

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
JULY 31, 2018**

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

Investments (Continued)

prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

The District invests in Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
JULY 31, 2018**

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

Investments (Continued)

As of July 31, 2018, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
TexPool	\$ 328,502	\$ 328,502	\$	\$	\$
Texas CLASS	6,899,568	6,899,568			
Certificates of Deposit	3,600,000	3,600,000			
<u>DEBT SERVICE FUND</u>					
TexPool	717,789	717,789			
Texas CLASS	3,730,284	3,730,284			
Certificates of Deposit	6,320,000	6,320,000			
<u>CAPITAL PROJECTS FUND</u>					
TexPool	1,316,667	1,316,667			
Texas CLASS	7,166,853	7,166,853			
<b>TOTAL INVESTMENTS</b>	<b>\$ 30,079,663</b>	<b>\$ 30,079,663</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At July 31, 2018, the District's investments in TexPool and Texas CLASS were rated "AAAm" by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit with balances covered in accordance with Texas statutes.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of approximately one year or less.

Restrictions

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

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
JULY 31, 2018**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended July 31, 2018:

	August 1, 2017	Increases	Decreases	July 31, 2018
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 8,962,129	\$ 862,876	\$	\$ 9,825,005
Construction in Progress	339,238	13,859,084	13,590,347	607,975
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 9,301,367</b>	<b>\$ 14,721,960</b>	<b>\$ 13,590,347</b>	<b>\$ 10,432,980</b>
<b>Capital Assets Subject to Depreciation</b>				
Buildings and Improvements	\$ 383,826	\$	\$	\$ 383,826
Water System	31,510,848	2,413,486		33,924,334
Wastewater System	44,561,120	5,689,998		50,251,118
Drainage System	50,946,361	4,623,987		55,570,348
Other	205,020			205,020
<b>Total Capital Assets Subject to Depreciation</b>	<b>\$ 127,607,175</b>	<b>\$ 12,727,471</b>	<b>\$ - 0 -</b>	<b>\$ 140,334,646</b>
<b>Accumulated Depreciation</b>				
Buildings and Improvements	\$ 192,045	\$ 9,596	\$	\$ 201,641
Water System	8,587,917	971,864		9,559,781
Wastewater System	10,545,441	1,375,414		11,920,855
Drainage System	8,522,778	1,312,670		9,835,448
Other	205,020			205,020
<b>Total Accumulated Depreciation</b>	<b>\$ 28,053,201</b>	<b>\$ 3,669,544</b>	<b>\$ - 0 -</b>	<b>\$ 31,722,745</b>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 99,553,974</b>	<b>\$ 9,057,927</b>	<b>\$ - 0 -</b>	<b>\$ 108,611,901</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 108,855,341</b>	<b>\$ 23,779,887</b>	<b>\$ 13,590,347</b>	<b>\$ 119,044,881</b>

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.

**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, 2018, the District levied an ad valorem maintenance tax at the rate of \$0.08 per \$100 of assessed valuation, which resulted in a tax levy of \$1,383,937 on the adjusted taxable valuation of \$1,728,899,115 for the 2017 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.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
JULY 31, 2018**

**NOTE 8. WATER SUPPLY CONTRACTS**

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.

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.



**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
JULY 31, 2018**

**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.

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

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
JULY 31, 2018**

**NOTE 10. WASTE DISPOSAL AGREEMENT (Continued)**

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 \$81,182 and recorded current operating costs of \$369,515. The following summary financial data of the wastewater treatment plant is presented for the fiscal year ending September 30, 2017. Separate financial statements are not issued on this joint venture.

	Joint Venture
Total Assets	\$ 269,873
Total Liabilities	216,550
Total Fund Balance	\$ 53,323
Total Revenues	\$ 958,485
Total Expenditures	958,485
Net Change in Fund Balance	\$ -0-
Beginning Fund Balance – October 1, 2017	53,323
Ending Fund Balance – September 30, 2018	\$ 53,323

**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.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
JULY 31, 2018**

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

The Authority currently charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current rate is \$3.40 per 1,000 gallons of water pumped from each well. The District recorded an expenditure of \$2,572,637 for fees assessed during the current fiscal year.

The District started purchasing water from the Authority in December of 2010. The current rate is \$3.85 per 1,000 gallons of water purchased. The District recorded an expenditure of \$766,842 for water purchased from the Authority during the current fiscal year.

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
2019	\$ 16,775	\$ 48,220	\$ 64,995
2020	17,781	47,214	64,995
2021	18,848	46,147	64,995
2022	19,979	45,016	64,995
2023	21,178	43,817	64,995
2024-2028	126,543	198,431	324,974
2029-2033	169,343	155,631	324,974
2034-2038	226,620	98,355	324,975
2039-2042	186,602	23,943	210,545
	<u>\$ 803,669</u>	<u>\$ 706,774</u>	<u>\$ 1,510,443</u>

**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.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
JULY 31, 2018**

**NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT (Continued)**

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 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 \$42,485 in sales tax receipts, of which \$10,568 was receivable from the City.

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

**NOTE 13. UNREIMBURSED COSTS**

As of July 31, 2018, five developers had advanced approximately \$12,833,545 on behalf of the District for easements, detention and water, sewer and drainage facilities currently used by the District. This liability, and the related facilities, has been recorded in the Statement of Net Position.

**NOTE 14. INTERFUND BALANCES AND TRANSFERS**

The Capital Projects Fund owes the General Fund \$24,336 for the Grant Road and Telge Road water line relocation. The Debt Service Fund (Tax Fund) owes the General Fund \$3,837 for maintenance tax collections. During the current the fiscal the Capital Projects Fund transferred \$203,523 to the General Fund to reimburse for Series 2017 bond issuance costs, engineering for the Grant Road waterline relocation and water plant bleach conversions.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
JULY 31, 2018**

**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. The Oakcrest Lift Station and 6-inch Force Main and Water Plant Nos. 1 and 2 hydropneumatic tank recoating projects were completed in a prior fiscal year. During the current fiscal year, the District expended \$22,305 for engineering fees for the Telge Road water line relocation.

**NOTE 17. BOND ANTICIPATION NOTE**

On November 17, 2016, the District closed on the sale of Series 2016 Bond Anticipation Note (BAN) in the amount of \$16,355,000 at an interest rate of 1.55% per annum and a maturity date of November 29, 2017. The BAN proceeds were used to reimburse certain developers for 70% of the construction and engineering of facilities to serve Enclave at Northpointe Section 4; Grant Meadows Section 5; Hayden Lakes Sections 4, 5, 6, 7, 8 and 10; Oakcrest North Sections 8, 9, 10, 11 and 12; Oakcrest North Section 5 partial replat No. 3; Shaw Road phases 1 and 2; Treeline North; Wildwood at Northpointe Sections 11 and 22; Wildwood at Oakcrest North Section 14 and 15; Wildwood Sunset Canyon Drive; Wildwood TISD storm sewer; Surepoint Storage; detention phase II to serve Hayden Lakes; sanitary sewer extension to serve Wildwood at Northpointe Commons South; off-site force main to serve Wildwood at Oakcrest; detention ponds A, B and C to serve Wildwood at Oakcrest; underground power to serve Hayden Lakes lift station; land acquisition costs; and costs of issuance of the BAN.

On August 17, 2017, the BAN was retired with proceeds from the Series 2017 bond sale.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
JULY 31, 2018**

**NOTE 18. BOND SALE**

On August 17, 2017, the District closed on the sale of its Series 2017 \$24,690,000 Unlimited Tax Bonds. The District used proceeds of the bonds to retire the Series 2016 Bond Anticipation Note; to reimburse certain developers the remaining 30% of the construction and engineering of facilities to serve Enclave at Northpointe Section 4 and Northpoint Ridge Lane; Grant Meadows Section 5; Hayden Lakes Sections 4, 5, 6, 7, 8 and 10; Oakcrest North Sections 8, 9, 10, 11 and 12; Oakcrest North Section 5 partial replat No. 3; Shaw Road re-route phases 1 and 2; Treeline North; Wildwood at Northpointe Sections 11 and 22; Wildwood at Oakcrest North Sections 14 and 15; Wildwood at Sunset Canyon Drive; Wildwood TISD storm sewer; Surepoint Self Storage; detention phase 2 to serve Hayden Lakes; sanitary sewer extension to serve Wildwood at Northpointe Commons South; off-site force main to serve Wildwood at Oakcrest; detention ponds A, B and C to serve Wildwood at Oakcrest; underground power to serve Hayden Lakes lift station; to fund District items such as land acquisition, chlorine disinfection upgrade conversion at the water plant and wastewater treatment plant and Grant Road waterline relocation; and bond issuance costs.

**NOTE 19. SUBSEQUENT EVENTS**

Subsequent to year-end, on September 13, 2018, the District closed on the sale of its Series 2018 \$20,760,000 Unlimited Tax Bonds and Series 2018A \$8,000,000 Unlimited Tax Park Bonds. The District used proceeds of the bonds to reimburse certain developers for the construction and engineering of facilities to serve Enclave at Northpointe Sections 6 and 7, Hayden Lakes, Section 9 Improvements, Wildwood at Oakcrest North Sections 16, 17, 18, 19, 20, 22 and 24, Telge Ranch, Section 1, Wildwood at Northpointe, Section 25 and Tall Chestnut Street Dedication, Section 1; Telge Ranch Lift Station No. 1; Telge Ranch Stormwater Detention Facility Pond D; and Wildwood at Oakcrest North Lift Station No. 1. Additional proceeds will be used to fund the construction of Rock Creek Lake Erosion, Pond No. 1 rehabilitation; Telge Road waterline relocation; Wildwood Lift Station force main relocation; Telge Ranch land acquisitions; Trail System, Phase 1 and land acquisition; and bond issuance costs.

Subsequent to year-end, on October 9, 2018, the Commission approved the use of surplus funds in the amount of \$134,122 to reimburse certain developers and to pay the District's engineer for the balance due on costs associated with storm water pollution prevention planning fees, clearing and mass grading and detention pond rehabilitation in Treeline North and Hayden Lakes, Section 11 drainage study.

**NORTHWEST HARRIS COUNTY**  
**MUNICIPAL UTILITY DISTRICT NO. 5**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**JULY 31, 2018**





**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, 2018**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 1,188,300	\$ 1,405,604	\$ 217,304
Sales Tax Receipts	28,000	42,485	14,485
Water Service	2,553,500	2,157,644	(395,856)
Wastewater Service	2,542,946	2,174,059	(368,887)
Regional Water Authority Fees	2,863,944	3,491,139	627,195
Penalty and Interest	125,300	88,503	(36,797)
Tap Connection and Inspection Fees	918,700	943,499	24,799
Investment Revenues	51,500	147,829	96,329
Regional Water Authority Reimbursements	65,000	64,995	(5)
Miscellaneous Revenues	32,800	198,048	165,248
<b>TOTAL REVENUES</b>	<u>\$ 10,369,990</u>	<u>\$ 10,713,805</u>	<u>\$ 343,815</u>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 501,025	\$ 505,866	\$ (4,841)
Contracted Services	1,836,656	1,850,876	(14,220)
Purchased Water Service	663,900	766,842	(102,942)
Purchased Wastewater Service	258,000	369,515	(111,515)
Utilities	503,400	438,673	64,727
Regional Water Authority Assessments	1,987,900	2,572,637	(584,737)
Repairs and Maintenance	1,446,300	1,587,833	(141,533)
Other	950,700	1,240,852	(290,152)
Capital Outlay	6,904,970	793,796	6,111,174
Debt Service			
Bond Issuance Costs		68,238	(68,238)
<b>TOTAL EXPENDITURES</b>	<u>\$ 15,052,851</u>	<u>\$ 10,195,128</u>	<u>\$ 4,857,723</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (4,682,861)</u>	<u>\$ 518,677</u>	<u>\$ 5,201,538</u>
<b>OTHER FINANCING SOURCES(USES)</b>			
Transfers In	\$ -0-	\$ 203,523	\$ 203,523
<b>NET CHANGE IN FUND BALANCE</b>	\$ (4,682,861)	\$ 722,200	\$ 5,405,061
<b>FUND BALANCE - AUGUST 1, 2017</b>	<u>9,898,501</u>	<u>9,898,501</u>	
<b>FUND BALANCE - JULY 31, 2018</b>	<u>\$ 5,215,640</u>	<u>\$ 10,620,701</u>	<u>\$ 5,405,061</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, 2018**



**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
SERVICES AND RATES  
FOR THE YEAR ENDED JULY 31, 2018**

**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 January 1, 2018.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 12.25	5,000	N	\$ 1.25 \$ 1.75 \$ 2.25 \$ 2.75 \$ 3.25	5,001 to 10,000 10,001 to 15,000 15,001 to 20,000 20,001 to 25,000 25,001 and up
WASTEWATER:	\$27.75 *		Y		
SURCHARGE:					
Regional Water Authority Fees				\$ 3.85	1,000 and up

District employs winter averaging for wastewater usage? 
         X    
 Yes      No

Total monthly charges per 10,000 gallons usage: Water: \$18.50 Wastewater: \$27.75 Surcharge: \$38.50 Total: \$84.75

\* 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, 2018**

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

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

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	6,368	6,344	x 1.0	6,344
=1"	549	549	x 2.5	1,373
1½"	12	12	x 5.0	60
2"	103	103	x 8.0	824
3"	1	1	x 15.0	15
4"	2	2	x 25.0	50
6"	1	1	x 50.0	50
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>7,036</u>	<u>7,012</u>		<u>8,716</u>
Total Wastewater Connections	<u>6,861</u>	<u>6,837</u>	x 1.0	<u>6,837</u>

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

Gallons pumped into system:	824,910,000	Water Accountability Ratio: 95% (Gallons billed and sold/Gallons pumped and purchased)
Gallons purchased:	214,584,000	From: North Harris County Regional Water Authority
Gallons billed to customers:	989,307,000	

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
SERVICES AND RATES  
FOR THE YEAR ENDED JULY 31, 2018**

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

Does the District have Debt Service standby fees? Yes  No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes  No

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely  Partly  Not at all

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

Entirely  Partly  Not at all

ETJ's in which District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes  No

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED JULY 31, 2018**

PROFESSIONAL FEES:	
Arbitrage	\$ 7,175
Auditing	30,400
Engineering	235,064
Legal	<u>233,227</u>
TOTAL PROFESSIONAL FEES	<u>\$ 505,866</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 766,842
Purchased Wastewater Service	<u>369,515</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 1,136,357</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 20,025
Operations and Billing	153,970
Tax Collector	<u>909</u>
TOTAL CONTRACTED SERVICES	<u>\$ 174,904</u>
UTILITIES:	
Electricity	\$ 391,059
Telephone	<u>47,614</u>
TOTAL UTILITIES	<u>\$ 438,673</u>
REPAIRS AND MAINTENANCE	
Water	\$ 593,447
Wastewater	695,199
Detention Ponds	210,440
Landscaping	<u>88,747</u>
TOTAL REPAIRS AND MAINTENANCE	<u>\$ 1,587,833</u>

See accompanying independent auditor's report.



**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED JULY 31, 2018**

ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 15,150
Election Costs	5,206
Insurance	69,482
Legal Notices	63
Office Supplies and Postage	85,651
Payroll Taxes	1,159
Travel and Meetings	3,676
Other	<u>11,696</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 192,083</u>
CAPITAL OUTLAY:	
Capitalized Assets	\$ 480,071
Expenditures Not Capitalized	<u>313,725</u>
TOTAL CAPITAL OUTLAY	<u>\$ 793,796</u>
TAP CONNECTIONS	<u>\$ 368,740</u>
SOLID WASTE DISPOSAL	<u>\$ 1,051,511</u>
SECURITY	<u>\$ 624,461</u>
OTHER EXPENDITURES:	
Chemicals	\$ 183,675
Generator Rental	11,826
Hurricane Harvey	135,326
Inspection Fees	104,007
Laboratory Fees	58,753
Permit Fees	33,964
Regional Water Authority Assessments	2,572,637
Regulatory Assessment (TCEQ)	21,022
Sludge Hauling	<u>131,456</u>
TOTAL OTHER EXPENDITURES	<u>\$ 3,252,666</u>
DEBT SERVICE:	
Bond Issuance Costs	<u>\$ 68,238</u>
TOTAL EXPENDITURES	<u>\$ 10,195,128</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
INVESTMENTS  
JULY 31, 2018**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<b>GENERAL FUND</b>					
TexPool	XXXX0002	1.9077%	Daily	\$ 328,502	\$
Texas CLASS	XXXX0001	2.2351%	Daily	6,899,568	
Certificate of Deposit	XXXX0370	1.7500%	04/10/19	240,000	1,289
Certificate of Deposit	XXXX0555	1.2100%	10/19/18	240,000	2,267
Certificate of Deposit	XXXX0746	1.9000%	11/04/18	240,000	1,049
Certificate of Deposit	XXXX9984	2.1500%	07/11/19	240,000	283
Certificate of Deposit	XXXX2169	2.1800%	07/10/19	240,000	301
Certificate of Deposit	XXXX1052	0.9500%	09/19/18	240,000	1,743
Certificate of Deposit	XXXX2033	1.2500%	03/31/19	240,000	1,003
Certificate of Deposit	XXXX0263	1.0000%	11/06/18	240,000	1,756
Certificate of Deposit	XXXX9696	1.2000%	01/10/19	240,000	1,594
Certificate of Deposit	XXXX1190	2.0600%	05/11/19	240,000	1,111
Certificate of Deposit	XXXX8595	1.1000%	02/21/19	240,000	1,157
Certificate of Deposit	XXXX6097	2.2000%	06/11/19	240,000	723
Certificate of Deposit	XXXX4774	1.1000%	12/06/18	240,000	1,714
Certificate of Deposit	XXXX0125	1.2500%	08/07/18	240,000	2,934
Certificate of Deposit	XXXX8206	1.0000%	11/14/18	240,000	1,874
<b>TOTAL GENERAL FUND</b>				<b>\$ 10,828,070</b>	<b>\$ 20,798</b>
<b>DEBT SERVICE FUND</b>					
TexPool	XXXX0003	1.9077%	Daily	\$ 717,789	\$
Texas CLASS	XXXX0002	2.2351%	Daily	3,730,284	
Certificate of Deposit	XXXX4213	1.7000%	04/25/19	240,000	1,084
Certificate of Deposit	XXXX2252	1.3500%	03/31/19	240,000	1,083
Certificate of Deposit	XXXX3526	2.0600%	04/30/19	240,000	1,246
Certificate of Deposit	XXXX0467	2.0500%	04/28/19	240,000	1,267
Certificate of Deposit	XXXX5811	1.3000%	03/18/19	240,000	1,163
Certificate of Deposit	XXXX5313	1.3000%	03/18/19	1,000,000	4,879
Certificate of Deposit	XXXX5641	1.3000%	03/18/19	1,000,000	4,879
Certificate of Deposit	XXXX7062	1.3000%	04/24/19	480,000	1,675
Certificate of Deposit	XXXX1996	1.0000%	03/20/19	240,000	894
Certificate of Deposit	XXXX4166	2.0000%	04/25/19	240,000	1,276
Certificate of Deposit	XXXX1936	1.2500%	03/31/19	240,000	1,003
Certificate of Deposit	XXXX2186	1.7500%	04/06/19	240,000	1,335
Certificate of Deposit	XXXX9470	1.2000%	03/31/19	240,000	963
Certificate of Deposit	XXXX0614	1.3500%	03/20/19	240,000	1,207
Certificate of Deposit	XXXX9204	1.3500%	03/20/19	240,000	1,207
Certificate of Deposit	XXXX6651	1.9500%	04/02/19	240,000	1,564
Certificate of Deposit	XXXX5992	1.2500%	03/16/19	240,000	1,118
Certificate of Deposit	XXXX0166	2.0000%	04/25/19	240,000	1,276
Certificate of Deposit	XXXX5905	1.3000%	04/25/19	240,000	830
<b>TOTAL DEBT SERVICE FUND</b>				<b>\$ 10,768,073</b>	<b>\$ 29,949</b>
<b>CAPITAL PROJECTS FUND</b>					
TexPool	XXXX0001	1.9077%	Daily	\$ 1,316,667	\$
Texas CLASS	XXXX0003	2.2351%	Daily	6,166,621	
Texas CLASS	XXXX0005	2.2351%	Daily	150,219	
Texas CLASS	XXXX0006	2.2351%	Daily	184,920	
Texas CLASS	XXXX0007	2.2351%	Daily	665,093	
<b>TOTAL CAPITAL PROJECTS FUND</b>				<b>\$ 8,483,520</b>	<b>\$ - 0 -</b>
<b>TOTAL - ALL FUNDS</b>				<b>\$ 30,079,663</b>	<b>\$ 50,747</b>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED JULY 31, 2018**

	Maintenance Taxes		Debt Service Taxes		
TAXES RECEIVABLE - AUGUST 1, 2017	\$	16,799	\$	220,872	
Adjustments to Beginning Balance		22,359	\$	142,775	
		\$	39,158	\$	363,647
Original 2017 Tax Levy	\$	1,326,865	\$	11,610,066	
Adjustment to 2017 Tax Levy		57,072	1,383,937	499,376	12,109,442
TOTAL TO BE ACCOUNTED FOR		\$	1,423,095	\$	12,473,089
TAX COLLECTIONS:					
Prior Years	\$	32,508	\$	267,812	
Current Year		1,373,096	1,405,604	12,014,583	12,282,395
TAXES RECEIVABLE - JULY 31, 2018		\$	17,491	\$	190,694
TAXES RECEIVABLE BY YEAR:					
2017	\$	10,841	\$	94,859	
2016		4,027		40,841	
2015		903		13,371	
2014		481		12,181	
2013		308		7,803	
2012 and prior		931		21,639	
TOTAL	\$	17,491	\$	190,694	

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED JULY 31, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 21,647,191	\$ 24,936,473	\$ 16,122,980	\$ 21,379,713
Improvements	1,688,703,703	1,518,231,264	1,301,009,784	1,164,062,698
Personal Property	62,542,940	64,128,068	38,792,452	16,658,408
Exemptions	<u>(43,994,719)</u>	<u>(50,935,010)</u>	<u>(43,368,379)</u>	<u>(37,704,497)</u>
<b>TOTAL PROPERTY VALUATIONS</b>	<u><u>\$ 1,728,899,115</u></u>	<u><u>\$ 1,556,360,795</u></u>	<u><u>\$ 1,312,556,837</u></u>	<u><u>\$ 1,164,396,322</u></u>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.70	\$ 0.71	\$ 0.74	\$ 0.76
Maintenance **	<u>0.08</u>	<u>0.07</u>	<u>0.05</u>	<u>0.03</u>
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<u><u>\$ 0.78</u></u>	<u><u>\$ 0.78</u></u>	<u><u>\$ 0.79</u></u>	<u><u>\$ 0.79</u></u>
<b>ADJUSTED TAX LEVY*</b>	<u><u>\$ 13,493,379</u></u>	<u><u>\$ 12,134,220</u></u>	<u><u>\$ 10,368,887</u></u>	<u><u>\$ 9,198,829</u></u>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<u><u>99.22 %</u></u>	<u><u>99.63 %</u></u>	<u><u>99.86 %</u></u>	<u><u>99.86 %</u></u>

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

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

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
LONG-TERM DEBT SERVICE REQUIREMENTS  
JULY 31, 2018**

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
2019	\$ 490,000	\$ 40,200	\$ 530,200
2020	515,000	20,600	535,600
2021			
2022			
2023			
2024			
2025			
2026			
2027			
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2041			
	\$ 1,005,000	\$ 60,800	\$ 1,065,800

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
LONG-TERM DEBT SERVICE REQUIREMENTS  
JULY 31, 2018**

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
2019	\$ 475,000	\$ 38,012	\$ 513,012
2020	505,000	20,200	525,200
2021			
2022			
2023			
2024			
2025			
2026			
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2041			
	\$ 980,000	\$ 58,212	\$ 1,038,212

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
LONG-TERM DEBT SERVICE REQUIREMENTS  
JULY 31, 2018**

REFUNDING SERIES - 2010

Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2019	\$ 1,260,000	\$ 158,600	\$ 1,418,600
2020	855,000	117,650	972,650
2021	890,000	89,863	979,863
2022	920,000	60,937	980,937
2023	955,000	31,037	986,037
2024			
2025			
2026			
2027			
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2041			
	<u>\$ 4,880,000</u>	<u>\$ 458,087</u>	<u>\$ 5,338,087</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
LONG-TERM DEBT SERVICE REQUIREMENTS  
JULY 31, 2018**

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
2019	\$ 365,000	\$ 241,881	\$ 606,881
2020	380,000	230,932	610,932
2021	395,000	219,531	614,531
2022	415,000	207,681	622,681
2023	430,000	195,231	625,231
2024	445,000	182,332	627,332
2025	465,000	168,981	633,981
2026	485,000	155,031	640,031
2027	505,000	140,481	645,481
2028	525,000	125,332	650,332
2029	545,000	109,581	654,581
2030	570,000	93,231	663,231
2031	590,000	76,131	666,131
2032	615,000	58,432	673,432
2033	640,000	39,981	679,981
2034	665,000	20,782	685,782
2035			
2036			
2037			
2038			
2039			
2040			
2041			
	\$ 8,035,000	\$ 2,265,551	\$ 10,300,551

See accompanying independent auditor's report.



**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
LONG-TERM DEBT SERVICE REQUIREMENTS  
JULY 31, 2018**

REFUNDING SERIES - 2014

Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
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			
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2040			
2041			
	<u>\$ 5,705,000</u>	<u>\$ 581,825</u>	<u>\$ 6,286,825</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
LONG-TERM DEBT SERVICE REQUIREMENTS  
JULY 31, 2018**

REFUNDING SERIES - 2015

Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
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			
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2040			
2041			
	<u>\$ 15,915,000</u>	<u>\$ 2,714,575</u>	<u>\$ 18,629,575</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
LONG-TERM DEBT SERVICE REQUIREMENTS  
JULY 31, 2018**

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

Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2019	\$ 1,335,000	\$ 903,238	\$ 2,238,238
2020	1,335,000	849,838	2,184,838
2021	1,335,000	796,438	2,131,438
2022	1,330,000	769,738	2,099,738
2023	1,330,000	743,138	2,073,138
2024	1,330,000	713,212	2,043,212
2025	1,330,000	679,963	2,009,963
2026	1,330,000	646,712	1,976,712
2027	1,330,000	606,813	1,936,813
2028	1,330,000	566,912	1,896,912
2029	1,330,000	527,012	1,857,012
2030	1,330,000	487,112	1,817,112
2031	1,330,000	447,212	1,777,212
2032	1,330,000	405,650	1,735,650
2033	1,330,000	364,088	1,694,088
2034	1,330,000	320,862	1,650,862
2035	1,330,000	277,638	1,607,638
2036	1,330,000	232,750	1,562,750
2037	1,330,000	187,862	1,517,862
2038	1,330,000	141,312	1,471,312
2039	1,330,000	94,762	1,424,762
2040	1,330,000	48,212	1,378,212
2041			
	<u>\$ 29,275,000</u>	<u>\$ 10,810,474</u>	<u>\$ 40,085,474</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
LONG-TERM DEBT SERVICE REQUIREMENTS  
JULY 31, 2018**

REFUNDING SERIES - 2016

Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2019	\$ 5,000	\$ 712,531	\$ 717,531
2020	5,000	712,431	717,431
2021	1,085,000	712,331	1,797,331
2022	1,125,000	679,782	1,804,782
2023	1,175,000	639,000	1,814,000
2024	1,240,000	592,000	1,832,000
2025	1,305,000	542,400	1,847,400
2026	1,370,000	490,200	1,860,200
2027	2,515,000	435,400	2,950,400
2028	1,520,000	334,800	1,854,800
2029	1,590,000	274,000	1,864,000
2030	1,675,000	210,400	1,885,400
2031	1,750,000	143,400	1,893,400
2032	1,835,000	73,400	1,908,400
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
	<u>\$ 18,195,000</u>	<u>\$ 6,552,075</u>	<u>\$ 24,747,075</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
LONG-TERM DEBT SERVICE REQUIREMENTS  
JULY 31, 2018**

S E R I E S - 2 0 1 7

Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2019	\$ 1,025,000	\$ 706,038	\$ 1,731,038
2020	1,025,000	665,038	1,690,038
2021	1,025,000	624,038	1,649,038
2022	1,025,000	603,538	1,628,538
2023	1,025,000	583,038	1,608,038
2024	1,030,000	542,038	1,572,038
2025	1,030,000	521,438	1,551,438
2026	1,030,000	500,838	1,530,838
2027	1,030,000	477,662	1,507,662
2028	1,030,000	454,488	1,484,488
2029	1,030,000	428,736	1,458,736
2030	1,030,000	400,412	1,430,412
2031	1,030,000	369,512	1,399,512
2032	1,030,000	338,612	1,368,612
2033	1,030,000	307,712	1,337,712
2034	1,030,000	275,525	1,305,525
2035	1,030,000	243,338	1,273,338
2036	1,030,000	209,862	1,239,862
2037	1,030,000	176,388	1,206,388
2038	1,030,000	141,625	1,171,625
2039	1,030,000	106,862	1,136,862
2040	1,030,000	72,100	1,102,100
2041	1,030,000	36,050	1,066,050
	<u>\$ 23,665,000</u>	<u>\$ 8,784,888</u>	<u>\$ 32,449,888</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, 2018**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 7,380,000	\$ 3,498,625	\$ 10,878,625
2020	7,130,000	3,242,064	10,372,064
2021	7,340,000	2,992,276	10,332,276
2022	7,510,000	2,793,451	10,303,451
2023	7,725,000	2,576,444	10,301,444
2024	7,035,000	2,317,232	9,352,232
2025	7,250,000	2,095,782	9,345,782
2026	5,955,000	1,866,581	7,821,581
2027	6,100,000	1,681,956	7,781,956
2028	4,405,000	1,481,532	5,886,532
2029	4,495,000	1,339,329	5,834,329
2030	4,605,000	1,191,155	5,796,155
2031	4,700,000	1,036,255	5,736,255
2032	4,810,000	876,094	5,686,094
2033	3,000,000	711,781	3,711,781
2034	3,025,000	617,169	3,642,169
2035	2,360,000	520,976	2,880,976
2036	2,360,000	442,612	2,802,612
2037	2,360,000	364,250	2,724,250
2038	2,360,000	282,937	2,642,937
2039	2,360,000	201,624	2,561,624
2040	2,360,000	120,312	2,480,312
2041	1,030,000	36,050	1,066,050
	<u>\$ 107,655,000</u>	<u>\$ 32,286,487</u>	<u>\$ 139,941,487</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, 2018**

Description	Original Bonds Issued	Bonds Outstanding August 1, 2017
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2008	\$ 13,505,000	\$ 1,475,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2009	13,090,000	1,430,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Refunding Bonds - Series 2010	11,470,000	6,100,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2013	9,660,000	8,385,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Refunding Bonds - Series 2014	9,265,000	7,220,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Refunding Bonds - Series 2015	17,475,000	17,240,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2015-A	31,945,000	30,610,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Refunding Bonds - Series 2016	18,375,000	18,200,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2017	<u>24,690,000</u>	<u>                    </u>
<b>TOTAL</b>	<b><u>\$ 149,475,000</u></b>	<b><u>\$ 90,660,000</u></b>

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

See accompanying independent auditor's report.



Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding July 31, 2018	Paying Agent
	Principal	Interest		
\$	\$ 470,000	\$ 59,000	\$ 1,005,000	Wells Fargo Bank N.A. Houston, TX
	450,000	54,888	980,000	Wells Fargo Bank N.A. Houston, TX
	1,220,000	198,250	4,880,000	Wells Fargo Bank N.A. Houston, TX
	350,000	248,881	8,035,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,515,000	228,700	5,705,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,325,000	554,625	15,915,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,335,000	956,638	29,275,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	5,000	712,631	18,195,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>24,690,000</u>	<u>1,025,000</u>	<u>527,076</u>	<u>23,665,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 24,690,000</u>	<u>\$ 7,695,000</u>	<u>\$ 3,540,689</u>	<u>\$ 107,655,000</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, 2018**

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>172,135,000</u>	<u>                    </u>
Remaining to be Issued	<u>\$ 71,765,000</u>	<u>\$ 8,000,000</u>
Debt Service Fund cash and investment balances as of July 31, 2018:		<u>\$ 10,798,324</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 6,084,412</u>

See Note 3 for interest rates, 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		
	2018	2017	2016
<b>REVENUES</b>			
Property Taxes	\$ 1,405,604	\$ 1,114,008	\$ 666,693
Sales Tax Receipts	42,485	32,386	22,054
Water Service	2,157,644	2,091,127	1,849,447
Wastewater Service	2,174,059	2,009,886	1,842,170
Regional Water Authority Fees	3,491,139	2,896,796	2,227,266
Penalty and Interest	88,503	96,148	74,783
Tap Connection and Inspection Fees	943,499	840,260	889,455
Investment Revenues	147,829	46,781	13,703
Regional Water Authority Reimbursements	64,995	64,995	64,995
Miscellaneous Revenues	198,048	241,907	204,650
<b>TOTAL REVENUES</b>	<b>\$ 10,713,805</b>	<b>\$ 9,434,294</b>	<b>\$ 7,855,216</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 505,866	\$ 430,922	\$ 402,834
Contracted Services	1,850,876	1,683,820	1,539,550
Purchased Water Service	766,842	649,222	586,376
Purchased Wastewater Service	369,515	288,415	290,517
Utilities	438,673	442,731	485,804
Regional Water Authority Assessments	2,572,637	2,049,846	1,452,404
Repairs and Maintenance	1,587,833	1,324,649	908,491
Other	1,240,852	886,559	844,833
Capital Outlay	793,796	160,692	308,097
Bond Issuance Costs	68,238	85,379	6,833
<b>TOTAL EXPENDITURES</b>	<b>\$ 10,195,128</b>	<b>\$ 8,002,235</b>	<b>\$ 6,825,739</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 518,677</b>	<b>\$ 1,432,059</b>	<b>\$ 1,029,477</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In(Out)	\$ 203,523	\$	\$ 14,233
Contributed by Other Governments			315,210
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 203,523</b>	<b>\$ - 0 -</b>	<b>\$ 329,443</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 722,200</b>	<b>\$ 1,432,059</b>	<b>\$ 1,358,920</b>
<b>BEGINNING FUND BALANCE</b>	<b>9,898,501</b>	<b>8,466,442</b>	<b>7,107,522</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 10,620,701</b>	<b>\$ 9,898,501</b>	<b>\$ 8,466,442</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 365,204	\$ 320,530	13.2 %	11.8 %	8.4 %	5.7 %	5.7 %
24,071	11,968	0.4	0.3	0.3	0.4	0.2
1,451,579	1,511,738	20.1	22.2	23.5	22.8	27.0
1,671,868	1,550,492	20.3	21.3	23.5	26.3	27.7
1,616,220	1,564,901	32.6	30.7	28.4	25.4	27.9
67,709	64,384	0.8	1.0	1.0	1.1	1.1
994,698	424,030	8.8	8.9	11.3	15.6	7.6
5,553	5,871	1.4	0.5	0.2	0.1	0.1
64,995	64,995	0.6	0.7	0.8	1.0	1.2
104,560	83,745	1.8	2.6	2.6	1.6	1.5
<u>\$ 6,366,457</u>	<u>\$ 5,602,654</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 387,496	\$ 331,344	4.7 %	4.6 %	5.1 %	6.1 %	5.9 %
1,459,265	1,432,588	17.3	17.8	19.6	22.9	25.6
424,293	325,849	7.2	6.9	7.5	6.7	5.8
321,740	348,311	3.4	3.1	3.7	5.1	6.2
464,141	364,577	4.1	4.7	6.2	7.3	6.5
1,187,144	1,107,609	24.0	21.7	18.5	18.6	19.8
1,052,732	752,253	14.8	14.0	11.6	16.5	13.4
841,937	514,897	11.6	9.4	10.8	13.2	9.2
52,388	38,668	7.4	1.7	3.9	0.8	0.7
61,029		0.6	0.9	0.1	1.0	
<u>\$ 6,252,165</u>	<u>\$ 5,216,096</u>	<u>95.1 %</u>	<u>84.8 %</u>	<u>87.0 %</u>	<u>98.2 %</u>	<u>93.1 %</u>
<u>\$ 114,292</u>	<u>\$ 386,558</u>	<u>4.9 %</u>	<u>15.2 %</u>	<u>13.0 %</u>	<u>1.8 %</u>	<u>6.9 %</u>
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 114,292	\$ 386,558					
6,993,230	6,606,672					
<u>\$ 7,107,522</u>	<u>\$ 6,993,230</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		
	2018	2017	2016
<b>REVENUES</b>			
Property Taxes	\$ 12,282,395	\$ 11,277,131	\$ 9,705,849
Penalty and Interest	90,007	61,640	34,927
Investment Revenues	174,758	64,529	21,709
Miscellaneous Revenues	213	28	
<b>TOTAL REVENUES</b>	<b>\$ 12,547,373</b>	<b>\$ 11,403,328</b>	<b>\$ 9,762,485</b>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 135,334	\$ 119,189	\$ 97,100
Debt Service Principal	7,695,000	6,625,000	4,940,000
Debt Service Interest and Fees	3,545,929	3,065,024	2,941,588
Bond Issuance Costs			510,621
Payment to Refunded Bond Escrow Agent			
<b>TOTAL EXPENDITURES</b>	<b>\$ 11,376,263</b>	<b>\$ 9,809,213</b>	<b>\$ 8,489,309</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 1,171,110</b>	<b>\$ 1,594,115</b>	<b>\$ 1,273,176</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refunding Bonds	\$	\$	\$ 18,375,000
Payment to Refunded Bond Escrow Agent			(19,949,831)
Bond Premium			2,085,452
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ 510,621</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 1,171,110</b>	<b>\$ 1,594,115</b>	<b>\$ 1,783,797</b>
<b>BEGINNING FUND BALANCE</b>	9,653,326	8,059,211	6,275,414
<b>ENDING FUND BALANCE</b>	<b>\$ 10,824,436</b>	<b>\$ 9,653,326</b>	<b>\$ 8,059,211</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>7,012</b>	<b>6,504</b>	<b>5,991</b>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>6,837</b>	<b>6,348</b>	<b>5,862</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 8,822,501	\$ 7,947,984	97.9 %	98.9 %	99.4 %	99.5 %	99.5 %
38,664	31,684	0.7	0.5	0.4	0.4	0.4
5,605	5,544	1.4	0.6	0.2	0.1	0.1
<u>\$ 8,866,770</u>	<u>\$ 7,985,212</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 104,945	\$ 80,930	1.1 %	1.0 %	1.0 %	1.2 %	1.0 %
4,575,000	4,740,000	61.3	58.1	50.6	51.6	59.4
2,873,754	2,992,593	28.3	26.9	30.1	32.4	37.5
488,039	343,596			5.2	5.5	4.3
	166,000					2.1
<u>\$ 8,041,738</u>	<u>\$ 8,323,119</u>	<u>90.7 %</u>	<u>86.0 %</u>	<u>86.9 %</u>	<u>90.7 %</u>	<u>104.3 %</u>
\$ 825,032	\$ (337,907)	9.3 %	14.0 %	13.1 %	9.3 %	(4.3) %
\$ 17,475,000	\$ 9,265,000					
(17,670,486)	(9,384,486)					
684,167	463,083					
<u>\$ 488,681</u>	<u>\$ 343,597</u>					
\$ 1,313,713	\$ 5,690					
4,961,701	4,956,011					
<u>\$ 6,275,414</u>	<u>\$ 4,961,701</u>					
<u>5,407</u>	<u>4,895</u>					
<u>5,285</u>	<u>4,806</u>					

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 5  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
JULY 31, 2018**

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

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended July 31, 2018	Expense Reimbursements for the year ended July 31, 2018	Title
Jeff Collins	05/18 05/22 (Elected)	\$ 1,500	\$ -0-	President
Larry Millberger	05/16 05/20 (Elected)	\$ 5,100	\$ 1,708	Vice President
James Adams	05/18 05/22 (Elected)	\$ 3,000	\$ 46	Secretary
Charles Fischer	05/16 05/20 (Elected)	\$ 3,750	\$ 738	Treasurer
H. Bruce Gallun	05/16 05/20 (Elected)	\$ 1,800	\$ -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): October 1, 2018.

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, 2018**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2018</u>	<u>Title</u>
Smith, Murdaugh, Little & Bonham, L.L.P.	04/10/75	\$ 287,431	General Counsel
	01/21/88	\$ 547,565	Bond Counsel
		\$ 24,081	Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	07/16/87	\$ 54,200	Auditor
Municipal Accounts & Consulting, L.P.	11/01/16	\$ 28,951	Bookkeeper
Costello, Inc.	03/27/03	\$ 712,655	Engineer
FirstSouthwest, a Division of Hilltop Securities, Inc.	03/19/15	\$ 230,323	Prior Financial Advisor
Masterson Advisors LLC	04/19/18	\$ -0-	Financial Advisor
Mark Burton	10/20/16	\$ -0-	Investment
Ghia Lewis	10/20/16	\$ -0-	Officers
Municipal District Services	12/01/07	\$ 2,077,759	Operator
Mike Arterburn, RTA	09/15/16	\$ -0-	Tax Assessor
Harris County Tax Assessor/Collector	07/01/06	\$ 10,189	Tax Assessor/ Collector

See accompanying independent auditor's report.

