

**HARRIS COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 415**

**HARRIS COUNTY, TEXAS**

**FINANCIAL REPORT**

**December 31, 2017**



## Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditors' Report		1
Management's Discussion and Analysis		5
<b>BASIC FINANCIAL STATEMENTS</b>		
Statement of Net Position and Governmental Funds Balance Sheet		14
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		15
Notes to Basic Financial Statements		17
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Budgetary Comparison Schedule – General Fund		32
Notes to Required Supplementary Information		33
<b>TEXAS SUPPLEMENTARY INFORMATION</b>		
Services and Rates	TSI-1	36
General Fund Expenditures	TSI-2	38
Investments	TSI-3	N/A
Taxes Levied and Receivable	TSI-4	39
Long-Term Debt Service Requirements by Years	TSI-5	40
Change in Long-Term Bonded Debt	TSI-6	41
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	42
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	44
Board Members, Key Personnel and Consultants	TSI-8	45



# McGrath & Co., PLLC

Certified Public Accountants

P.O. Box 270148  
Houston, Texas 77277

Mark W. McGrath CPA  
mark@mcgrath-co.com

Colette M. Garcia CPA  
colette@mcgrath-co.com

## Independent Auditors' Report

Board of Directors  
Harris County Municipal Utility District No. 415  
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 415, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the 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 basic 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 basic financial statements are free of 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 principles 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 to provide a basis for our audit opinions.

***Board of Directors  
Harris County Municipal Utility District No. 415  
Harris County, Texas***

**Opinion**

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 Harris County Municipal Utility District No. 415, as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other-Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

*W. G. Smith & Co, P.C.C.*

Houston, Texas  
April 25, 2018

## **Management's Discussion and Analysis**

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***Harris County Municipal Utility District No. 415  
Management's Discussion and Analysis  
December 31, 2017***

**Using this Annual Report**

Within this section of the financial report of Harris County Municipal Utility District No. 415 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2017. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

**Overview of the Financial Statements**

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

**Government-Wide Financial Statements**

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

***Harris County Municipal Utility District No. 415  
Management's Discussion and Analysis  
December 31, 2017***

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

**Fund Financial Statements**

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

**Financial Analysis of the District as a Whole**

The District's net position at December 31, 2017, was negative \$5,151,680. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities which it conveys to the City of Houston. A comparative summary of the District's overall financial position, as of December 31, 2017 and 2016, is as follows:

	2017	2016
Current and other assets	\$ 585,093	\$ 725,154
Capital assets	1,479,998	1,537,246
Total assets	<u>2,065,091</u>	<u>2,262,400</u>
Current liabilities	105,385	93,470
Long-term liabilities	6,767,938	6,981,214
Total liabilities	<u>6,873,323</u>	<u>7,074,684</u>
Total deferred inflows of resources	<u>343,448</u>	<u>261,267</u>
Net position		
Net investment in capital assets	(483,937)	(423,337)
Restricted	95,532	88,756
Unrestricted	(4,763,275)	(4,738,970)
Total net position	<u>\$ (5,151,680)</u>	<u>\$ (5,073,551)</u>

***Harris County Municipal Utility District No. 415  
Management's Discussion and Analysis  
December 31, 2017***

The total net position of the District decreased during the current fiscal year by \$78,129. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2017</u>	<u>2016</u>
Revenues		
Property taxes, penalties and interest	\$ 272,064	\$ 170,654
Other	2,660	966
Total revenues	<u>274,724</u>	<u>171,620</u>
Expenses		
Operating and administrative	187,181	193,070
Debt interest and fees	74,051	56,104
Developer interest	34,373	157,934
Debt issuance costs		138,666
Intergovernmental		271,738
Depreciation and amortization	57,248	57,248
Total expenses	<u>352,853</u>	<u>874,760</u>
Change in net position before other items	(78,129)	(703,140)
Other items		
Change in estimate of due to developer		1,507,998
City of Houston capital contribution		519,848
Change in net position	(78,129)	1,324,706
Net position, beginning of year	(5,073,551)	(6,398,257)
Net position, end of year	<u>\$ (5,151,680)</u>	<u>\$ (5,073,551)</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances, as of December 31, 2017, were \$206,095, which consists of \$76,818 in the General Fund, \$119,279 in the Debt Service Fund, and \$9,998 in the Capital Projects Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Total assets	<u>\$ 275,556</u>	<u>\$ 241,934</u>
Total liabilities	\$ 29,400	\$ 17,203
Total deferred inflows	169,338	127,634
Total fund balance	76,818	97,097
Total liabilities, deferred inflows and fund balance	<u>\$ 275,556</u>	<u>\$ 241,934</u>

***Harris County Municipal Utility District No. 415  
Management's Discussion and Analysis  
December 31, 2017***

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2017	2016
Total revenues	\$ 129,469	\$ 171,331
Total expenditures	<u>(149,748)</u>	<u>(631,687)</u>
Revenues under expenditures	(20,279)	(460,356)
Other changes in fund balance		529,498
Net change in fund balance	<u>\$ (20,279)</u>	<u>\$ 69,142</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resource in the General Fund is from a property tax levy, which is dependent upon assessed values in the District and the maintenance tax rate set by the District. While assessed values in the District increased from the prior year, property tax revenues decreased because the District decreased the maintenance component of the levy.

During the prior year, the District received a capital contribution from the City of Houston, which was used to reimburse the District's developer for a portion of the construction costs related to Commons Waterway Section 7. Additional information is presented in Note 10.

*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of December 31, 2017 and 2016 is as follows:

	2017	2016
Total assets	<u>\$ 297,301</u>	<u>\$ 246,673</u>
Total deferred inflows	\$ 178,022	\$ 133,900
Total fund balance	<u>119,279</u>	<u>112,773</u>
Total deferred inflows and fund balance	<u>\$ 297,301</u>	<u>\$ 246,673</u>

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	2017	2016
Total revenues	\$ 141,511	\$ 5,879
Total expenditures	<u>(135,005)</u>	<u>(36,016)</u>
Revenues over/(under) expenditures	6,506	(30,137)
Other changes in fund balance		142,910
Net change in fund balance	<u>\$ 6,506</u>	<u>\$ 112,773</u>

The District's financial resources in the Debt Service Fund in the current year are from property tax revenues. During the prior year, financial resources included capitalized interest from the sale of

***Harris County Municipal Utility District No. 415  
Management's Discussion and Analysis  
December 31, 2017***

bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

*Capital Projects Fund*

A comparative summary of the Capital Projects Fund's financial position as of December 31, 2017 and 2016 is as follows:

	2017	2016
Total assets	<u>\$ 12,236</u>	<u>\$ 236,547</u>
Total liabilities	\$ 2,238	\$ 2,250
Total fund balance	<u>9,998</u>	<u>234,297</u>
Total liabilities and fund balance	<u>\$ 12,236</u>	<u>\$ 236,547</u>

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2017	2016
Total revenues	<u>\$ 98</u>	<u>\$ 284</u>
Total expenditures	<u>(224,397)</u>	<u>(1,374,977)</u>
Revenues under expenditures	(224,299)	(1,374,693)
Other changes in fund balance		1,608,990
Net change in fund balance	<u>\$ (224,299)</u>	<u>\$ 234,297</u>

The District did not have any significant capital asset activity in the current year. The District's capital asset activity in the prior year was financed with proceeds from the issuance of its Series 2016 Unlimited Tax Bonds.

**General Fund Budgetary Highlights**

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$35,564 less than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

**Harris County Municipal Utility District No. 415**  
**Management's Discussion and Analysis**  
**December 31, 2017**

**Capital Assets**

The District has entered into a financing agreement with its developer for the financing of the construction of capital assets within the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at December 31, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Capital assets being depreciated/amortized		
Dredging and bulkheads	\$ 1,445,308	\$ 1,445,308
Impact fees	403,373	403,373
	<u>1,848,681</u>	<u>1,848,681</u>
Less accumulated depreciation/amortization		
Dredging and bulkheads	(337,239)	(289,062)
Impact fees	(31,444)	(22,373)
	<u>(368,683)</u>	<u>(311,435)</u>
Depreciable capital assets, net	<u>1,479,998</u>	<u>1,537,246</u>
Capital assets, net	<u>\$ 1,479,998</u>	<u>\$ 1,537,246</u>

The District and the City of Houston (the "City") have entered into an agreement which obligates the district to construct water, wastewater, and storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. Additional information is presented in Note 9.

**Long-Term Debt and Related Liabilities**

As of December 31, 2017, the District owes the developer \$4,718,708 for completed projects and operating advances. As discussed in Note 6, the District has an additional commitment in the amount of \$576,912 for projects under construction by the developer. As previously mentioned, the District will owe the developer for these projects upon completion of construction, at which time the capital assets and related liability will be recorded on the District's financial statements. The District intends to reimburse the developer from proceeds of future bond issues.

At December 31, 2017 and 2016, the District had total bonded debt outstanding as shown below:

<u>Series</u>	<u>2017</u>	<u>2016</u>
2016	\$ 2,150,000	\$ 2,200,000

At December 31, 2017, the District had \$148,300,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer, drainage and navigation facilities within the District and \$15,000,000 for parks and recreational facilities.

***Harris County Municipal Utility District No. 415  
Management's Discussion and Analysis  
December 31, 2017***

**Next Year's Budget**

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and the projected cost of operating the District. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	<u>2017 Actual</u>	<u>2018 Budget</u>
Total revenues	\$ 129,469	\$ 120,075
Total expenditures	<u>(149,748)</u>	<u>(112,300)</u>
Revenues over/(under) expenditures	(20,279)	7,775
Beginning fund balance	97,097	76,818
Ending fund balance	<u>\$ 76,818</u>	<u>\$ 84,593</u>

**Property Taxes**

The District's property tax base increased approximately \$9,377,000 for the 2017 tax year from \$33,554,006 to \$42,930,984. This increase was primarily due to new construction in the District. For the 2017 tax year, the District has levied a maintenance tax rate of \$0.39 per \$100 of assessed value and a debt service tax rate of \$0.41 per \$100 of assessed value, for a total combined tax rate of \$0.80 per \$100. These are the same rates levied for the 2016 tax year.

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## **Basic Financial Statements**

**Harris County Municipal Utility District No. 415**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**December 31, 2017**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 106,240	\$ 350,562	\$ 14,376	\$ 471,178	\$ -	\$ 471,178
Taxes receivable	54,908	57,724		112,632		112,632
Internal balances	114,408	(112,268)	(2,140)			
Other receivables		1,283		1,283		1,283
Capital assets, net					1,479,998	1,479,998
<b>Total Assets</b>	<b>\$ 275,556</b>	<b>\$ 297,301</b>	<b>\$ 12,236</b>	<b>\$ 585,093</b>	<b>1,479,998</b>	<b>2,065,091</b>
<b>Liabilities</b>						
Accounts payable	\$ 29,400	\$ -	\$ 2,238	\$ 31,638		31,638
Accrued interest payable					23,747	23,747
Due to developer					4,718,708	4,718,708
Long-term debt						
Due within one year					50,000	50,000
Due after one year					2,049,230	2,049,230
<b>Total Liabilities</b>	<b>29,400</b>		<b>2,238</b>	<b>31,638</b>	<b>6,841,685</b>	<b>6,873,323</b>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	169,338	178,022		347,360	(3,912)	343,448
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Restricted		119,279	9,998	129,277	(129,277)	
Unassigned	76,818			76,818	(76,818)	
<b>Total Fund Balances</b>	<b>76,818</b>	<b>119,279</b>	<b>9,998</b>	<b>206,095</b>	<b>(206,095)</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 275,556</b>	<b>\$ 297,301</b>	<b>\$ 12,236</b>	<b>\$ 585,093</b>		
<b>Net Position</b>						
Net investment in capital assets					(483,937)	(483,937)
Restricted for debt service					95,532	95,532
Unrestricted					(4,763,275)	(4,763,275)
<b>Total Net Position</b>					<b>\$ (5,151,680)</b>	<b>\$ (5,151,680)</b>

See notes to basic financial statements.

**Harris County Municipal Utility District No. 415**

**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2017**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 129,192	\$ 135,567	\$ -	\$ 264,759	\$ 3,646	\$ 268,405
Penalties and interest		3,659		3,659		3,659
Miscellaneous	277	2,285	98	2,660		2,660
Total Revenues	<u>129,469</u>	<u>141,511</u>	<u>98</u>	<u>271,078</u>	<u>3,646</u>	<u>274,724</u>
<b>Expenditures/Expenses</b>						
Operating and administrative						
Professional fees	93,748	1,112	17,719	112,579		112,579
Contracted services	12,175	8,321		20,496		20,496
Repairs and maintenance	29,519		5,730	35,249		35,249
Administrative	9,022	803	1,184	11,009		11,009
Other	5,284	2,564		7,848		7,848
Capital outlay			165,391	165,391	(165,391)	
Debt service						
Principal		50,000		50,000	(50,000)	
Interest and fees		72,205		72,205	1,846	74,051
Developer interest			34,373	34,373		34,373
Depreciation and amortization					57,248	57,248
Total Expenditures/Expenses	<u>149,748</u>	<u>135,005</u>	<u>224,397</u>	<u>509,150</u>	<u>(156,297)</u>	<u>352,853</u>
<b>Revenues Over (Under)</b>						
Expenditures	(20,279)	6,506	(224,299)	(238,072)	238,072	
Change in Net Position					(78,129)	(78,129)
Fund Balance/Net Position						
Beginning of the year	97,097	112,773	234,297	444,167	(5,517,718)	(5,073,551)
End of the year	<u>\$ 76,818</u>	<u>\$ 119,279</u>	<u>\$ 9,998</u>	<u>\$ 206,095</u>	<u>\$ (5,357,775)</u>	<u>\$ (5,151,680)</u>

See notes to basic financial statements.

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## **Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Harris County Municipal Utility District No. 415 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

### **Creation**

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated March 6, 2008, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on August 21, 2008 and the first bonds were sold on March 30, 2016.

The District’s primary activities include construction of water, sewer, drainage and navigation facilities and the maintenance of canals and bulkheads. As further discussed in Note 9, the District transfers certain of these facilities to the City of Houston upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

### **Reporting Entity**

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

### **Government-Wide and Fund Financial Statements**

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Government-Wide and Fund Financial Statements (continued)**

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer, drainage and navigation facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes and interest earned on investments. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

**Use of Restricted Resources**

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At December 31, 2017, an allowance for uncollectible accounts was not considered necessary.

**Interfund Activity**

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

**Capital Assets**

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Dredging and bulkheads	30 years
Impact fees	50 years [max]

**Deferred Inflows and Outflows of Financial Resources**

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources. Additionally, collections of the 2017 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Deferred Inflows and Outflows of Financial Resources (continued)**

Deferred inflows of financial resources at the government-wide level consist of the 2017 property tax levy, which was levied to finance the 2018 fiscal year.

**Net Position – Governmental Activities**

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

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

Unassigned - all other spendable amounts in the General Fund.



*Harris County Municipal Utility District No. 415*  
*Notes to Basic Financial Statements*  
*December 31, 2017*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Fund Balances – Governmental Funds (continued)**

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to the City of Houston and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

*Harris County Municipal Utility District No. 415*  
*Notes to Basic Financial Statements*  
*December 31, 2017*

**Note 2 – Adjustment from Governmental to Government-wide Basis**

**Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position***

Total fund balance, governmental funds		\$ 206,095
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 1,848,681	
Less accumulated depreciation/amortization	<u>(368,683)</u>	
Change due to capital assets		1,479,998
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net	(2,099,230)	
Interest payable on bonds	<u>(23,747)</u>	
Change due to long-term debt		(2,122,977)
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		(4,718,708)
Deferred inflows in the fund statements consist of the unavailable portion of property taxes receivable and collections of the 2017 levy. In the government wide statements, however, deferred inflows consist of the entire 2017 property tax levy.		
Fund level deferred property taxes	347,360	
Government wide level deferred property taxes	<u>(343,448)</u>	
Change due to deferred property taxes		3,912
Total net position - governmental activities		<u><u>\$ (5,151,680)</u></u>

**Harris County Municipal Utility District No. 415**  
**Notes to Basic Financial Statements**  
**December 31, 2017**

**Note 2 – Adjustment from Governmental to Government-wide Basis (continued)**

**Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities***

Net change in fund balances - total governmental funds \$ (238,072)

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes. 3,646

Governmental funds report capital outlays for developer reimbursements and impact fees are reported as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 165,391	
Depreciation/amortization expense	<u>(57,248)</u>	
		108,143

The issuance of long-term debt provides current financial resources to governmental funds. However, the transaction has no effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Principal payments	50,000	
Interest expense accrual	<u>(1,846)</u>	
		48,154

Change in net position of governmental activities \$ (78,129)

**Note 3 – Deposits and Investments**

**Deposit Custodial Credit Risk**

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District’s deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third party custodian. The act further specifies the types of securities that can be used as collateral. The District’s written investment policy establishes additional requirements for collateralization of deposits.

**Harris County Municipal Utility District No. 415**  
**Notes to Basic Financial Statements**  
**December 31, 2017**

**Note 3 – Deposits and Investments (continued)**

**Investments**

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers’ acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District’s investment program should be managed. This policy further restricts the types of investments in which the District may invest.

**Note 4 – Interfund Balances and Transactions**

Amounts due to/from other funds at December 31, 2017, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 112,268	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	2,140	Surplus funds application fees paid by the General Fund

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

**Harris County Municipal Utility District No. 415**  
**Notes to Basic Financial Statements**  
**December 31, 2017**

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended December 31, 2017, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets being depreciated/amortized			
Dredging and bulkheads	\$ 1,445,308	\$ -	\$ 1,445,308
Impact fees	403,373		403,373
	<u>1,848,681</u>		<u>1,848,681</u>
Less accumulated depreciation/amortization			
Dredging and bulkheads	(289,062)	(48,177)	(337,239)
Impact fees	(22,373)	(9,071)	(31,444)
	<u>(311,435)</u>	<u>(57,248)</u>	<u>(368,683)</u>
Subtotal depreciable capital assets, net	<u>1,537,246</u>	<u>(57,248)</u>	<u>1,479,998</u>
Capital assets, net	<u>\$ 1,537,246</u>	<u>\$ (57,248)</u>	<u>\$ 1,479,998</u>

Depreciation expense for the current year was \$57,248.

**Note 6 – Due to Developer**

The District has entered into a financing agreement with its developer for the financing of the construction of water, sewer, drainage, navigation, and parks and recreational facilities. Under the agreements, the developer will advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete.

The District's developer has also advanced funds to the District for operating expenses.

Changes in amounts due to developer during the year are as follows:

Due to developer, beginning of year	\$ 4,884,099
Developer reimbursements	(165,391)
Due to developer, end of year	<u>\$ 4,718,708</u>

**Harris County Municipal Utility District No. 415**  
**Notes to Basic Financial Statements**  
**December 31, 2017**

**Note 6 – Due to Developer (continued)**

In addition, the District will owe the developer approximately \$576,912 which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Commons Waterway, Sec. 6 - clearing and grubbing	\$ 24,999	\$ 21,375	\$ 3,624
Commons Waterway, Sec. 6 - water, sewer and drainage*	551,913	142,581	409,332
	<u>\$ 576,912</u>	<u>\$ 163,956</u>	<u>\$ 412,956</u>

\* Represents the District's share of contract

**Note 7 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 2,150,000
Unamortized discounts	(50,770)
	<u>\$ 2,099,230</u>
Due within one year	<u>\$ 50,000</u>

The District’s bonds payable at December 31, 2017, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2016	\$ 2,150,000	\$ 2,200,000	1.60% - 4.00%	September 1, 2017/2041	March 1, September 1	September 1, 2022

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. The District is in compliance with the terms of its bond resolutions.

At December 31, 2017, the District had authorized but unissued bonds in the amount of \$148,300,000 for water, sewer, drainage and navigation facilities and \$15,000,000 for park and recreational facilities.

*Harris County Municipal Utility District No. 415*  
*Notes to Basic Financial Statements*  
*December 31, 2017*

**Note 7 – Long-Term Debt (continued)**

The change in the District’s long term debt during the year is as follows:

Bonds payable, beginning of year	\$ 2,200,000
Bonds retired	(50,000)
Bonds payable, end of year	<u>\$ 2,150,000</u>

As of December 31, 2017, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2018	\$ 50,000	\$ 70,655	\$ 120,655
2019	55,000	69,855	124,855
2020	55,000	68,975	123,975
2021	60,000	67,985	127,985
2022	60,000	66,785	126,785
2023	65,000	65,525	130,525
2024	65,000	64,030	129,030
2025	70,000	62,405	132,405
2026	75,000	60,515	135,515
2027	75,000	58,265	133,265
2028	80,000	56,015	136,015
2029	85,000	53,535	138,535
2030	90,000	50,815	140,815
2031	90,000	47,845	137,845
2032	95,000	44,785	139,785
2033	100,000	41,460	141,460
2034	105,000	37,860	142,860
2035	110,000	34,028	144,028
2036	115,000	30,012	145,012
2037	120,000	25,700	145,700
2038	125,000	21,200	146,200
2039	130,000	16,200	146,200
2040	135,000	11,000	146,000
2041	140,000	5,600	145,600
	<u>\$ 2,150,000</u>	<u>\$ 1,131,050</u>	<u>\$ 3,281,050</u>

**Note 8 – Property Taxes**

On November 2, 2010, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

***Harris County Municipal Utility District No. 415***  
***Notes to Basic Financial Statements***  
***December 31, 2017***

**Note 8 – Property Taxes (continued)**

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2017 fiscal year was financed through the 2016 tax levy, pursuant to which the District levied property taxes of \$0.80 per \$100 of assessed value, of which \$0.39 was allocated to maintenance and operations and \$0.41 was allocated to debt service. The resulting tax levy was \$268,432 on the adjusted taxable value of \$33,554,006.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District’s use during the current fiscal year. Consequently, 2017 levy collections in the amount of \$234,728 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2017 tax levy of \$343,448 is reported as deferred inflows. These amounts will be recognized as revenue in 2018.

Total property taxes receivable, at December 31, 2017, consisted of the following:

Current year taxes receivable	\$ 108,720
Prior years taxes receivable	3,912
Total property taxes receivable	<u><u>\$ 112,632</u></u>

**Note 9 – Utility Agreement with the City of Houston**

On April 9, 2009, the District entered into a Utility Agreement (the “Agreement”) with the City of Houston for the design, financing and construction of water distribution, wastewater collection and drainage facilities and services (the “Facilities”) to serve the District. Pursuant to the Agreement, the District is responsible for the design and construction of these systems and, as the systems are completed, the District shall transfer these systems to the City, reserving a security interest. The term of the Agreement is 50 years or until the dissolution of the District by the City. The City will make periodic reimbursement payments to the District for a portion of the cost of certain facilities. The amount of the payments will be calculated as specified in the agreements, the terms and conditions of which are the subject of separate reimbursement agreements for each project.

Rates charged by the City to users in the District shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City.



*Harris County Municipal Utility District No. 415*  
*Notes to Basic Financial Statements*  
*December 31, 2017*

**Note 9 – Utility Agreement with the City of Houston (continued)**

The District is also responsible for a portion of the costs related to the construction of the Lake Houston Sewer Project. The District is required to connect the District's wastewater facilities to the Lake Houston Sewer Project. The reimbursement paid to the City is calculated by the number of connections in any section being funded in a District bond issue multiplied by the District's share of the project. The District's share of the construction costs for the completed Lake Houston Sewer Project is \$1,857,489. As of December 31, 2017, the District has paid \$271,738 to the City.

**Note 10 – Development Contracts with City of Houston**

On June 21, 2013, the District entered into a Developer Participation Contract (the "Section 7 Contract") with the City of Houston for reimbursement for the construction of water and sanitary mains for Commons Waterway Section 7. The Section 7 Contract states that the City will reimburse the District in an amount not to exceed \$604,636 when 25% of the homes within Commons Waterway, Section 7 are completed. In 2014, the District completed construction of utilities to serve Commons Waterway, Section 7. During the prior fiscal year, the City paid \$519,848 to the District which was reimbursed to the developer, as stated in the contract.

On January 2, 2014, the District entered into a Developer Participation Contract (the "Section 8 Contract") with the City of Houston for reimbursement for the construction of water and sanitary mains for Commons Waterway, Section 8. On December 15, 2017, the Section 8 was extended for an additional 12 months to January 17, 2019. The Section 8 Contract states that the City will reimburse the District in an amount not to exceed \$249,256 when 25% of the homes within Commons Waterway, Section 8 are completed. As of December 31, 2015, the District had completed construction of utilities to serve Commons Waterway, Section 8. However, as of December 31, 2017, all requirements for reimbursement have not been met.

On July 20, 2017, the District entered into a Developer Participation Contract (the "Section 6 Contract") with the City of Houston for reimbursement for the construction of water and sanitary mains for Commons Waterway, Section 6. The Section 6 Contract states that the City will reimburse the District in an amount not to exceed \$404,130 when 25% of the homes within Commons Waterway, Section 6 are completed. As of December 31, 2017, the District has not completed construction of utilities to serve Commons Waterway, Section 6.

**Note 11 – Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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## **Required Supplementary Information**

*Harris County Municipal Utility District No. 415  
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund  
 For the Year Ended December 31, 2017*

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Property taxes	\$ 120,000	\$ 129,192	\$ 9,192
Miscellaneous	75	277	202
Total Revenues	<u>120,075</u>	<u>129,469</u>	<u>9,394</u>
<b>Expenditures</b>			
Operating and administrative			
Professional fees	64,400	93,748	(29,348)
Contracted services	10,000	12,175	(2,175)
Repairs and maintenance	11,490	29,519	(18,029)
Administrative	17,400	9,022	8,378
Other	1,500	5,284	(3,784)
Total Expenditures	<u>104,790</u>	<u>149,748</u>	<u>(44,958)</u>
<b>Revenues Over/(Under) Expenditures</b>	15,285	(20,279)	(35,564)
<b>Fund Balance</b>			
Beginning of the year	97,097	97,097	
End of the year	<u>\$ 112,382</u>	<u>\$ 76,818</u>	<u>\$ (35,564)</u>

*Harris County Municipal Utility District No. 415*  
*Notes to Required Supplementary Information*  
*December 31, 2017*

**Budgets and Budgetary Accounting**

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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## **Texas Supplementary Information**

**Harris County Municipal Utility District No. 415**  
**TSI-1. Services and Rates**  
**December 31, 2017**

1. Services provided by the District During the Fiscal Year:

- |   |   |  |                                     |
|---|---|--|-------------------------------------|
| <input type="checkbox"/> Retail Water   | <input type="checkbox"/> Wholesale Water      | <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Drainage   |
| <input type="checkbox"/> Retail Wastewater  | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control       | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks / Recreation  | <input type="checkbox"/> Fire Protection      | <input type="checkbox"/> Roads               | <input type="checkbox"/> Security   |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)   |   |  |                                     |
| <input checked="" type="checkbox"/> Other (Specify): <u>Water, wastewater and drainage services are provided by the City of Houston</u> |   |  |                                     |

2. Retail Service Providers

(You may omit this information if your district does not provide retail services)

a. Retail Rates for a 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \_\_\_\_\_ Wastewater \_\_\_\_\_

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.



**Harris County Municipal Utility District No. 415**  
**TSI-1. Services and Rates**  
**December 31, 2017**

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):  
 (You may omit this information if your district does not provide water)

Gallons pumped into system:	<u>          N/A          </u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>          N/A          </u>	<u>          N/A          </u>

4. Standby Fees (authorized only under TWC Section 49.231):  
 (You may omit this information if your district does not levy standby fees)

Does the District have Debt Service standby fees? Yes  No

If yes, Date of the most recent commission Order: \_\_\_\_\_

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

If yes, Date of the most recent commission Order: \_\_\_\_\_

5. Location of District (required for first audit year or when information changes,  
 otherwise this information may be omitted):

Is the District located entirely within one county? Yes  No

County(ies) in which the District is located:           Harris County          

Is the District located within a city? Entirely  Partly  Not at all

City(ies) in which the District is located:           City of Houston          

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

Entirely  Partly  Not at all

ETJs in which the District is located: \_\_\_\_\_

Are Board members appointed by an office outside the district? Yes  No

If Yes, by whom? \_\_\_\_\_

See accompanying auditors' report.

*Harris County Municipal Utility District No. 415  
 TSI-2 General Fund Expenditures  
 For the Year Ended December 31, 2017*

Professional fees		
Legal		\$ 34,306
Audit		8,000
Engineering		51,442
		<u>93,748</u>
Contracted services		
Bookkeeping		<u>12,175</u>
Repairs and maintenance		<u>29,519</u>
Administrative		
Directors fees		3,150
Insurance		5,519
Other		353
		<u>9,022</u>
Other		<u>5,284</u>
Total expenditures		<u>\$ 149,748</u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	N/A	N/A
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

**Harris County Municipal Utility District No. 415**  
**TSI-4. Taxes Levied and Receivable**  
**December 31, 2017**

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 52,942	\$ 55,376	\$ 108,318	
Adjustments to Prior Year Tax Levy	3,465	3,673	7,138	
Adjusted Receivable	56,407	59,049	115,456	
2017 Original Tax Levy	155,366	163,333	318,699	
Adjustments	12,065	12,684	24,749	
Adjusted Tax Levy	167,431	176,017	343,448	
Total to be accounted for	223,838	235,066	458,904	
Tax collections:				
Current year	114,430	120,298	234,728	
Prior years	54,500	57,044	111,544	
Total Collections	168,930	177,342	346,272	
Taxes Receivable, End of Year	\$ 54,908	\$ 57,724	\$ 112,632	
Taxes Receivable, By Years				
2017	\$ 53,001	\$ 55,719	\$ 108,720	
2016	1,907	2,005	3,912	
Taxes Receivable, End of Year	\$ 54,908	\$ 57,724	\$ 112,632	
	2017	2016	2015	2014
Property Valuations:				
Land	\$ 14,788,255	\$ 13,682,136	\$ 10,586,521	\$ 10,087,027
Improvements	29,376,599	20,866,337	10,962,323	7,580,104
Personal Property	63,930	103,490	179,927	67,732
Exemptions	(1,297,800)	(1,097,957)	(586,251)	(457,327)
Total Property Valuations	\$ 42,930,984	\$ 33,554,006	\$ 21,142,520	\$ 17,277,536
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.39	\$ 0.39	\$ 0.80	\$ 0.80
Debt service tax rates	0.41	0.41		
Total Tax Rates per \$100 Valuation	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80
Adjusted Tax Levy:	\$ 343,448	\$ 268,432	\$ 169,140	\$ 138,220
Percentage of Taxes Collected to Taxes Levied **	68.34%	98.54%	100.00%	100.00%

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 2, 2010

\*\* Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditors' report.

*Harris County Municipal Utility District No. 415  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2016--by Years  
 December 31, 2017*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 50,000	\$ 70,655	\$ 120,655
2019	55,000	69,855	124,855
2020	55,000	68,975	123,975
2021	60,000	67,985	127,985
2022	60,000	66,785	126,785
2023	65,000	65,525	130,525
2024	65,000	64,030	129,030
2025	70,000	62,405	132,405
2026	75,000	60,515	135,515
2027	75,000	58,265	133,265
2028	80,000	56,015	136,015
2029	85,000	53,535	138,535
2030	90,000	50,815	140,815
2031	90,000	47,845	137,845
2032	95,000	44,785	139,785
2033	100,000	41,460	141,460
2034	105,000	37,860	142,860
2035	110,000	34,028	144,028
2036	115,000	30,012	145,012
2037	120,000	25,700	145,700
2038	125,000	21,200	146,200
2039	130,000	16,200	146,200
2040	135,000	11,000	146,000
2041	140,000	5,600	145,600
	<u>\$ 2,150,000</u>	<u>\$ 1,131,050</u>	<u>\$ 3,281,050</u>

See accompanying auditors' report.

**Harris County Municipal Utility District No. 415**  
**TSI-6. Change in Long-Term Bonded Debt**  
**December 31, 2017**

	<u>Bond Issue</u> <u>Series 2016</u>
Interest rate	1.60% - 4.00%
Dates interest payable	3/1; 9/1
Maturity dates	9/1/17 - 9/1/41
Beginning bonds outstanding	\$ 2,200,000
Bonds retired	<u>(50,000)</u>
Ending bonds outstanding	<u>\$ 2,150,000</u>
Interest paid during fiscal year	<u>\$ 71,455</u>

Paying agent's name and city  
 Series 2016

The Bank of New York Mellon Trust Company, N.A., Dallas

	Water, Sewer, Drainage and Navigation Facilities Bonds	Park and Recreational Facilities Bonds
Bond Authority:		
Amount Authorized by Voters	\$ 150,500,000	\$ 15,000,000
Amount Issued	<u>(2,200,000)</u>	
Remaining To Be Issued	<u>\$ 148,300,000</u>	<u>\$ 15,000,000</u>

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

Debt Service Fund cash and investments balances as of December 31, 2017:	<u>\$ 350,562</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 136,710</u>

See accompanying auditors' report.

**Harris County Municipal Utility District No. 415**  
**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund**  
**For the Last Five Fiscal Years**

	Amounts				
	2017	2016	2015	2014	2013
Revenues					
Property taxes	\$ 129,192	\$ 169,285	\$ 133,891	\$ 107,248	\$ 64,931
Penalties and interest		1,487	1,709	758	1,155
Miscellaneous	277	559	1,063	604	672
Total Revenues	<u>129,469</u>	<u>171,331</u>	<u>136,663</u>	<u>108,610</u>	<u>66,758</u>
Expenditures					
Operating and administrative					
Professional fees	93,748	72,598	54,815	72,267	73,384
Contracted services	12,175	17,310	18,452	17,562	16,686
Repairs and maintenance	29,519	9,186	20,423	72,579	59,739
Administrative	9,022	11,065	8,081	10,918	9,442
Other	5,284	1,680	2,163	4,000	2,803
Capital outlay		519,848		299,298	
Total Expenditures	<u>149,748</u>	<u>631,687</u>	<u>103,934</u>	<u>476,624</u>	<u>162,054</u>
Revenues Over/(Under) Expenditures	<u>\$ (20,279)</u>	<u>\$ (460,356)</u>	<u>\$ 32,729</u>	<u>\$ (368,014)</u>	<u>\$ (95,296)</u>

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2017	2016	2015	2014	2013
100%	99%	99%	99%	97%
	1%	1%	1%	2%
*	*	*	*	1%
100%	100%	100%	100%	100%
72%	42%	40%	67%	110%
9%	10%	14%	16%	25%
23%	5%	15%	67%	89%
7%	6%	6%	10%	14%
4%	1%	2%	4%	4%
	303%		276%	
115%	367%	77%	440%	242%
(15%)	(267%)	23%	(340%)	(142%)

*Harris County Municipal Utility District No. 415*

*TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund*

*For the Last Two Fiscal Years*

	Amounts		Percent of Fund Total Revenues	
	2017	2016	2017	2016
Revenues				
Property taxes	\$ 135,567	\$ -	96%	
Penalties and interest	3,659		3%	
Accrued interest on bonds sold		5,756		98%
Miscellaneous	2,285	123	1%	2%
Total Revenues	<u>141,511</u>	<u>5,879</u>	<u>100%</u>	<u>100%</u>
Expenditures				
Tax collection services	10,236	288	7%	5%
Other	2,564		2%	
Debt service				
Principal	50,000		35%	
Interest and fees	72,205	35,728	51%	608%
Total Expenditures	<u>135,005</u>	<u>36,016</u>	<u>95%</u>	<u>613%</u>
Revenues Over/(Under) Expenditures	<u>\$ 6,506</u>	<u>\$ (30,137)</u>	<u>5%</u>	<u>(513%)</u>

See accompanying auditors' report.



**Harris County Municipal Utility District No. 415**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended December 31, 2017**

Complete District Mailing Address: c/o Allen Boone Humphries Robinson LLP  
 3200 Southwest Freeway, Suite 2600, Houston, TX 77027  
 District Business Telephone Number: 713-860-6400  
 Submission Date of the most recent District Registration Form  
 (TWC Sections 36.054 and 49.054): June 30, 2016  
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
Mike Maher	5/14 - 5/18	\$ 750	\$ 86	President
Jeff Goebel	5/16 - 5/20	150		Vice President
Christopher Chapman	5/14 - 5/18	750		Secretary
Blair Jackson	5/14 - 5/18	750	9	Assistant Secretary
Steve Sample	5/16 - 5/20	750	17	Assistant Vice President
<b>Consultants</b>				
Allen Boone Humphries Robinson LLP <i>General legal fees</i>	2008	<u>Amounts Paid</u> \$ 53,015		Attorney
Inframark, Water & Infrastructure Services	2008	8,745		Operator
District Data Services, Inc.	2008	11,701		Bookkeeper
Utility Tax Service, LLC	2008	6,223		Tax Collector
Harris County Appraisal District	Legislation	2,098		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2008	1,112		Delinquent Tax Attorney
Dannenbaum Engineering Corp	2008	44,978		Engineer
McGrath & Co., PLLC	Annual	9,100		Auditor
Hilltop Securities, Inc.	2008			Financial Advisor

\* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.  
 See accompanying auditors' report.