

HARRIS COUNTY UTILITY DISTRICT NO. 15

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2016

HARRIS COUNTY UTILITY DISTRICT NO. 15

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ANNUAL FINANCIAL REPORT

MARCH 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Utility District No. 15
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Utility District No. 15 (the "District"), as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of March 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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

July 26, 2016

**HARRIS COUNTY UTILITY DISTRICT NO. 15
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2016**

Management's discussion and analysis of Harris County Utility District No. 15's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended March 31, 2016. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The government-wide portion of Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for 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.

**HARRIS COUNTY UTILITY DISTRICT NO. 15
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2016**

FUND FINANCIAL STATEMENTS (Continued)

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and 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"). A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$5,711,912 as of March 31, 2016.

A portion of the District's net position reflects its net investment in capital assets (water and wastewater facilities less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

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

**HARRIS COUNTY UTILITY DISTRICT NO. 15
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2016	2015	Change Positive (Negative)
Current and Other Assets	\$ 5,103,355	\$ 5,319,517	\$ (216,162)
Capital Assets (Net of Accumulated Depreciation)	<u>7,842,100</u>	<u>7,419,329</u>	<u>422,771</u>
Total Assets	<u>\$ 12,945,455</u>	<u>\$ 12,738,846</u>	<u>\$ 206,609</u>
Long -Term Liabilities	\$ 5,088,961	\$ 5,244,396	\$ 155,435
Other Liabilities	<u>493,213</u>	<u>510,604</u>	<u>17,391</u>
Total Liabilities	<u>\$ 5,582,174</u>	<u>\$ 5,755,000</u>	<u>\$ 172,826</u>
Deferred Inflows of Resources	<u>\$ 1,651,369</u>	<u>\$ 1,382,814</u>	<u>\$ (268,555)</u>
Net Position:			
Net Investment in Capital Assets	\$ 3,802,392	\$ 3,335,055	\$ 467,337
Restricted	499,905	423,675	76,230
Unrestricted	<u>1,409,615</u>	<u>1,842,302</u>	<u>(432,687)</u>
Total Net Position	<u>\$ 5,711,912</u>	<u>\$ 5,601,032</u>	<u>\$ 110,880</u>

The following table provides a summary of the District's operations for the years ending March 31, 2016, and March 31, 2015. The District increased its net position by \$110,880, accounting for a 2.0% growth in net position.

	Summary of Changes in the Statement of Activities		
	2016	2015	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,412,403	\$ 1,422,416	\$ (10,013)
Charges for Services	789,559	746,764	42,795
Other Revenues	<u>103,252</u>	<u>84,246</u>	<u>19,006</u>
Total Revenues	<u>\$ 2,305,214</u>	<u>\$ 2,253,426</u>	<u>\$ 51,788</u>
Expenses for Services	<u>2,194,334</u>	<u>1,783,170</u>	<u>(411,164)</u>
Change in Net Position	\$ 110,880	\$ 470,256	\$ (359,376)
Net Position, Beginning of Year	<u>5,601,032</u>	<u>5,130,776</u>	<u>470,256</u>
Net Position, End of Year	<u>\$ 5,711,912</u>	<u>\$ 5,601,032</u>	<u>\$ 110,880</u>

**HARRIS COUNTY UTILITY DISTRICT NO. 15
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2016, were \$3,106,756, a decrease of \$469,870 from the prior year.

The General Fund fund balance decreased by \$436,223, primarily due to the current year land purchase for a District building.

The Debt Service Fund fund balance increased by \$67,222, primarily due to the structure of the District's debt service requirements.

The Capital Projects Fund fund balance decreased by \$100,869, primarily due to the current year use of surplus funds for the repair costs of various District facilities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$138,238 more than budgeted revenues. Actual expenditures were \$156,402 more than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of March 31, 2016, total \$7,842,100 (net of accumulated depreciation). These capital assets include land, buildings and equipment as well as the water and wastewater systems.

Capital asset events during the current fiscal year included joint water plant road improvements, lift station no. 1 piping replacement, the Greens Bayou 12" water line, joint sewage plant repairs and land purchase.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2016	2015	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,308,674	\$ 755,008	\$ 553,666
Construction in Progress	53,816	248,011	(194,195)
Capital Assets, Net of Accumulated Depreciation:			
Buildings	65,990	69,499	(3,509)
Water System	1,529,096	1,452,728	76,368
Wastewater System	4,063,458	4,051,098	12,360
Drainage System	821,066	842,985	(21,919)
Total Net Capital Assets	\$ 7,842,100	\$ 7,419,329	\$ 422,771

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

**HARRIS COUNTY UTILITY DISTRICT NO. 15
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2016**

LONG-TERM DEBT ACTIVITY

As of March 31, 2016, the District had total bond debt payable of 5,335,000.

The changes in the debt position of the District during the fiscal year ended March 31, 2016, are summarized as follows:

Bond Debt Payable, April 1, 2015	\$ 5,485,000
Less: Bond Principal Paid	<u>150,000</u>
Bond Debt Payable, March 31, 2016	<u><u>\$ 5,335,000</u></u>

As of March 31, 2016, the District's bonds carried an underlying rating of "A-" from Standard & Poor's. The Series 2010 and Series 2011 bonds are uninsured.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Utility District No. 15, c/o Strawn & Richardson, P.C., 6750 West Loop South, Suite 865, Bellaire, TX 77401-4103.

HARRIS COUNTY UTILITY DISTRICT NO. 15
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 60,496	\$ 540,404
Investments	2,376,337	485,000
Receivables:		
Property Taxes	119,758	60,790
Penalty and Interest on Delinquent Taxes		
Service Accounts	31,638	
Accrued Interest	1,807	810
Due from Other Funds	67,242	
Prepaid Costs	7,703	
Due from Others	16,722	
Advance for Water Plant Operations	77,383	
Advance for Regional Wastewater Treatment		
Plant Operations	76,170	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 2,835,256</u>	<u>\$ 1,087,004</u>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 82	\$ 600,982	\$	\$ 600,982
1,209,171	4,070,508		4,070,508
	180,548		180,548
	31,638	39,084	39,084
	2,617		31,638
	67,242	(67,242)	2,617
	7,703		7,703
	16,722		16,722
	77,383		77,383
	76,170		76,170
		1,308,674	1,308,674
		53,816	53,816
		6,479,610	6,479,610
<u>\$ 1,209,253</u>	<u>\$ 5,131,513</u>	<u>\$ 7,813,942</u>	<u>\$ 12,945,455</u>

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

HARRIS COUNTY UTILITY DISTRICT NO. 15
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2016

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 74,269	\$
Accrued Interest Payable		
Due to Other Governmental Units	54,443	
Due to Other Funds		67,242
Due to Taxpayers		1,059
Security Deposits	111,590	
Long Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 240,302	\$ 68,301
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 1,222,003	\$ 494,151
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 7,703	\$
For Water Plant Operations	77,383	
For Regional Wastewater Treatment Plant Operations	76,170	
Restricted for Authorized Construction		
Restricted for Debt Service		524,552
Unassigned	1,211,695	
TOTAL FUND BALANCES	\$ 1,372,951	\$ 524,552
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,835,256	\$ 1,087,004
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 74,269	\$	\$ 74,269
	54,443	91,852	91,852
	67,242	(67,242)	54,443
	1,059		1,059
	111,590		111,590
		160,000	160,000
		5,088,961	5,088,961
<u>\$ -0-</u>	<u>\$ 308,603</u>	<u>\$ 5,273,571</u>	<u>\$ 5,582,174</u>
<u>\$</u>	<u>\$ 1,716,154</u>	<u>\$ (64,785)</u>	<u>\$ 1,651,369</u>
\$	\$ 7,703	\$ (7,703)	\$
	77,383	(77,383)	
	76,170	(76,170)	
1,209,253	1,209,253	(1,209,253)	
	524,552	(524,552)	
	1,211,695	(1,211,695)	
<u>\$ 1,209,253</u>	<u>\$ 3,106,756</u>	<u>\$ (3,106,756)</u>	<u>\$ - 0 -</u>
<u>\$ 1,209,253</u>	<u>\$ 5,131,513</u>		
		\$ 3,802,392	\$ 3,802,392
		499,905	499,905
		1,409,615	1,409,615
		<u>\$ 5,711,912</u>	<u>\$ 5,711,912</u>

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

HARRIS COUNTY UTILITY DISTRICT NO. 15
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
MARCH 31, 2016

Total Fund Balances - Governmental Funds	\$	3,106,756
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		7,842,100
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Deferred tax revenues and uncollected penalty and interest revenues on delinquent taxes for the 2014 and prior tax levies became part of recognized revenue in the governmental activities of the District.		103,869
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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:

Accrued Interest Payable	\$ (91,852)	
Bonds Payable Within One Year	(160,000)	
Bonds Payable After One Year	<u>(5,088,961)</u>	<u>(5,340,813)</u>

Total Net Position - Governmental Activities	\$	<u>5,711,912</u>
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The accompanying notes to the financial statements are an integral part of this report.

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HARRIS COUNTY UTILITY DISTRICT NO. 15
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 953,946	\$ 455,516
Water Service	226,951	
Wastewater Service	358,593	
Sales Tax Revenue	97,670	
Penalty and Interest	38,911	28,521
Tap Connection and Inspection Fees	31,235	
Investment Revenues	7,618	2,475
Miscellaneous Revenues	19,793	71,373
	<u>1,734,717</u>	<u>557,885</u>
TOTAL REVENUES	\$ 1,734,717	\$ 557,885
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 84,582	\$ 11,223
Contracted Services	253,503	36,031
Purchased Water Service	179,196	
Purchased Wastewater Service	343,697	
Utilities	52,514	
Repairs and Maintenance	529,498	
Depreciation		
Other	171,151	14,966
Capital Outlay	556,799	
Debt Service:		
Bond Principal		150,000
Bond Interest		278,443
	<u>2,170,940</u>	<u>490,663</u>
TOTAL EXPENDITURES/EXPENSES	\$ 2,170,940	\$ 490,663
NET CHANGE IN FUND BALANCES	\$ (436,223)	\$ 67,222
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2015	<u>1,809,174</u>	<u>457,330</u>
FUND BALANCES/NET POSITION - MARCH 31, 2016	<u><u>\$ 1,372,951</u></u>	<u><u>\$ 524,552</u></u>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 1,409,462	\$ 2,941	\$ 1,412,403
	226,951		226,951
	358,593		358,593
	97,670		97,670
	67,432	7,678	75,110
	31,235		31,235
1,993	12,086		12,086
	91,166		91,166
<u>1,993</u>	<u>2,294,595</u>	<u>10,619</u>	<u>2,305,214</u>
\$	\$ 95,805	\$	\$ 95,805
440	289,974		289,974
	179,196		179,196
	343,697		343,697
	52,514		52,514
	529,498		529,498
	186,963	235,604	235,604
846	186,963		186,963
101,576	658,375	(658,375)	
	150,000	(150,000)	
	<u>278,443</u>	<u>2,640</u>	<u>281,083</u>
<u>102,862</u>	<u>2,764,465</u>	<u>(570,131)</u>	<u>2,194,334</u>
\$ (100,869)	\$ (469,870)	\$ 469,870	\$
		110,880	110,880
<u>1,310,122</u>	<u>3,576,626</u>	<u>2,024,406</u>	<u>5,601,032</u>
<u>\$ 1,209,253</u>	<u>\$ 3,106,756</u>	<u>\$ 2,605,156</u>	<u>\$ 5,711,912</u>

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

**HARRIS COUNTY UTILITY DISTRICT NO. 15
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2016**

Net Change in Fund Balances - Governmental Funds	\$ (469,870)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	2,941
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	7,678
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(235,604)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	658,375
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	150,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	<u>(2,640)</u>
Change in Net Position - Governmental Activities	<u>\$ 110,880</u>

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

HARRIS COUNTY UTILITY DISTRICT NO. 15
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 1. CREATION OF DISTRICT

Harris County Utility District No. 15, located in Harris County, Texas, (the “District”) was created by Acts of the 62nd Legislature of the State of Texas, Regular Session, 1971, in accordance with the Texas Water Code, Chapter 54. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, 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 August 23, 1973, and the first bonds were sold on July 18, 1979.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

The District is also a participant in a jointly owned water plant. Harris County Utility District No. 14 has oversight of the plant. Summary financial information on the plant is presented in Note 8.

The District is a participant in a jointly owned wastewater treatment plant. Harris County Municipal Utility District No. 33 has oversight of the plant. Summary financial information on the plant is presented in Note 9.

HARRIS COUNTY UTILITY DISTRICT NO. 15
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

HARRIS COUNTY UTILITY DISTRICT NO. 15
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (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 revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund - 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 revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

HARRIS COUNTY UTILITY DISTRICT NO. 15
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include the 2014 tax levy collections during the period October 1, 2014, to March 31, 2016, and taxes collected from April 1, 2015, to March 31, 2016, for the 2013 and prior tax levies. The 2015 tax levy has been fully deferred.

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. Interest costs, including 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 greater than \$10,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using 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	40-45
All Other Equipment	3-20

HARRIS COUNTY UTILITY DISTRICT NO. 15
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll purposes only.

Measurement Focus

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

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

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

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 ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

HARRIS COUNTY UTILITY DISTRICT NO. 15
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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 does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding long-term liabilities for the year ended March 31, 2016:

	April 1, 2015	Additions	Retirements	March 31, 2016
Bonds Payable	\$ 5,485,000	\$	\$ 150,000	\$ 5,335,000
Unamortized Discounts	(90,604)		(4,565)	(86,039)
Bonds Payable, Net	<u>\$ 5,394,396</u>	<u>\$ -0-</u>	<u>\$ 145,435</u>	<u>\$ 5,248,961</u>
		Amount Due Within One Year		\$ 160,000
		Amount Due After One Year		<u>5,088,961</u>
		Bonds Payable, Net		<u>\$ 5,248,961</u>

HARRIS COUNTY UTILITY DISTRICT NO. 15
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 3. LONG-TERM DEBT (Continued)

	<u>Series 2010</u>	<u>Series 2011</u>
Amount Outstanding - March 31, 2016	\$ 2,020,000	\$ 3,315,000
Interest Rates	4.000%-5.125%	4.000%-5.875%
Maturity Dates – Serially Beginning/Ending	June 1, 2016/2035	June 1, 2016/2035
Interest Payment Dates	June 1/December 1	June 1/December 1
Callable Dates	June 1, 2018*	June 1, 2019*

* Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2010 term bonds due June 1, 2020, June 1, 2024, June 1, 2027, June 1, 2029, June 1, 2031, June 1, 2033, and June 1, 2035, are subjected to mandatory redemption by lot or other customary method at a price of par plus accrued interest on June 1 in the years and amounts as reflected in the debt service schedules. Series 2011 term bonds due June 1, 2018, June 1, 2020, June 1, 2022, June 1, 2024, June 1, 2026, June 1, 2029, June 1, 2032, and June 1, 2035, are subject to mandatory redemption by lot or other customary method at a price of par plus accrued interest on June 1 in the years and amounts as reflected in the debt service schedules.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 160,000	\$ 272,355	\$ 432,355
2018	165,000	265,855	430,855
2019	175,000	259,055	434,055
2020	185,000	251,483	436,483
2021	195,000	243,120	438,120
2022-2026	1,130,000	1,060,956	2,190,956
2027-2031	1,450,000	726,344	2,176,344
2032-2036	1,875,000	271,641	2,146,641
	<u>\$ 5,335,000</u>	<u>\$ 3,350,809</u>	<u>\$ 8,685,809</u>

As of March 31, 2016, the District had authorized but unissued tax bonds in the amount \$2,670,000 for utility facilities.

HARRIS COUNTY UTILITY DISTRICT NO. 15
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 3. LONG-TERM DEBT (Continued)

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

During the year ended March 31, 2016, the District levied an ad valorem debt service tax rate of \$0.23 per \$100 of assessed valuation, which resulted in a tax levy of \$466,030 on the adjusted taxable valuation of \$202,622,673 for the 2015 tax year. The bond order requires the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the 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 - Upon receipt but 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 Bond Orders state that the District covenants and represents that it will maintain insurance on the system of a kind and in an amount which customarily would be carried by private companies engaged in a similar type of business, but considering any governmental immunities to which the District may be entitled.
- B. The Bond Orders state that the District is required to provide continuing disclosure of certain general financial information and operating data to the state information depository. 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.

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.

HARRIS COUNTY UTILITY DISTRICT NO. 15
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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 \$2,965,982 and the bank balance was \$2,994,588. Of the bank balance, \$2,845,381 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third party depository.

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

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 60,496	\$ 1,880,000	\$ 1,940,496
DEBT SERVICE FUND	540,404	485,000	1,025,404
CAPITAL PROJECTS FUND	82		82
TOTAL DEPOSITS	\$ 600,982	\$ 2,365,000	\$ 2,965,982

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities,

HARRIS COUNTY UTILITY DISTRICT NO. 15
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

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. Wells Fargo Bank, N.A. serves as custodian for the pool. The fair value of the District's position in the pools is the same as the value of pool shares.

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

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
Texas Class	\$ 496,337	\$ 496,337	\$	\$	\$
Certificates of Deposit	1,880,000	1,880,000			
<u>DEBT SERVICE FUND</u>					
Certificates of Deposit	485,000	485,000			
<u>CAPITAL PROJECTS FUND</u>					
Texas Class	1,209,171	1,209,171			
TOTAL INVESTMENTS	\$ 4,070,508	\$ 4,070,508	\$ - 0 -	\$ - 0 -	\$ - 0 -

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 or rehabilitation of capital assets.

HARRIS COUNTY UTILITY DISTRICT NO. 15
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2016:

	April 1, 2015	Increases	Decreases	March 31, 2016
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 755,008	\$ 553,666	\$	\$ 1,308,674
Construction in Progress	248,011		194,195	53,816
Total Capital Assets Not Being Depreciated	<u>\$ 1,003,019</u>	<u>\$ 553,666</u>	<u>\$ 194,195</u>	<u>\$ 1,362,490</u>
Capital Assets Subject to Depreciation				
Buildings	\$ 112,512	\$	\$	\$ 112,512
Water System	2,217,853	151,322		2,369,175
Wastewater System	5,400,745	147,582		5,548,327
Drainage System	983,678			983,678
Total Capital Assets Subject to Depreciation	<u>\$ 8,714,788</u>	<u>\$ 298,904</u>	<u>\$ - 0 -</u>	<u>\$ 9,013,692</u>
Accumulated Depreciation				
Buildings	\$ 43,013	\$ 3,509	\$	\$ 46,522
Water System	765,125	74,954		840,079
Wastewater System	1,349,647	135,222		1,484,869
Drainage System	140,693	21,919		162,612
Total Accumulated Depreciation	<u>\$ 2,298,478</u>	<u>\$ 235,604</u>	<u>\$ - 0 -</u>	<u>\$ 2,534,082</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 6,416,310</u>	<u>\$ 63,300</u>	<u>\$ - 0 -</u>	<u>\$ 6,479,610</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 7,419,329</u>	<u>\$ 616,966</u>	<u>\$ 194,195</u>	<u>\$ 7,842,100</u>

NOTE 7. MAINTENANCE TAX

On April 1, 1978, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. During the year ended March 31, 2016, the District levied an ad valorem maintenance tax rate of \$0.585 per \$100 of assessed valuation, which resulted in a tax levy of \$1,185,339 on the adjusted taxable valuation of \$202,622,673 for the 2015 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

HARRIS COUNTY UTILITY DISTRICT NO. 15
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 8. WATER SUPPLY AGREEMENTS

Joint Water Plant

On May 17, 1983, and as amended August 15, 1984, the District, Harris County Utility District No. 14 (District No. 14) and the developer of the two districts entered into a forty (40) year contract for the construction and operation of the Joint Water Plant (the “Plant”). The Plant’s current capacity is for 3,100 equivalent single family connections. District No. 14 owns 1,350 connections or 43.50% of total capacity, and the District owns 1,750 connections or 56.50% of total capacity. Title to the Plant is held jointly by District No. 14 and the District on a pro rata basis. Construction and related costs were shared on the pro rata basis of capacity acquired by each district. District No. 14 manages and operates the Plant. Both districts are billed based upon a per connection fee established through the budgeting process of the Plant. The districts pay the per connection fee for each residential connection and each commercial equivalent single family connection on a monthly basis. The+ current year per connection fee was \$13.34 per connection. In addition, each district has paid for its share of an operating and maintenance reserve. During the year ended March 31, 2016, the District recorded \$179,196 for its share of operating costs. The District’s share of the operating and maintenance reserve is \$77,383 as of March 31, 2016.

The following summary financial date of the Plant is presented for the fiscal year ended March 31, 2016. A copy of the financial statements for the Plant can be obtained by contacting Norton Rose Fulbright US LLP at 1301 McKinney, Suite 5100, Houston, Texas 77010-3095.

	General Fund
Total Assets	\$ 159,554
Total Liabilities	<u>104,089</u>
Total Fund Balance	<u>\$ 55,465</u>
Total Revenues	\$ 380,694
Total Expenditures	<u>336,608</u>
Excess Revenues Over Expenditures	<u>\$ 44,086</u>
Other Financing Uses:	
Allocation to Participants	\$ (25,472)
Interfund Transfers Out	<u>(23,039)</u>
Total Other Financing Uses	<u>\$ (48,511)</u>
Excess (Deficiency) of Revenues Over Other Financing Uses	(4,425)
Fund Balance - April 1, 2015	<u>59,890</u>
Fund Balance - March 31, 2016	<u>\$ 55,465</u>

HARRIS COUNTY UTILITY DISTRICT NO. 15
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 8. WATER SUPPLY AGREEMENTS

Emergency Water Supply Contracts

On May 1, 1996, the District executed an emergency water supply contract with Harris County Municipal Utility District No. 180 (District No. 180). The contract states that the interconnect will be constructed by the District at its sole cost. Each district is responsible for maintaining the interconnect lines on its respective side of the point of interconnect. The price to be paid for water shall be \$150 per day. The term of the contract is ten years, beginning on the date the contract was executed. The contract was superseded on October 25, 2006 after construction was completed.

The price to be paid for water shall be \$0.45 per thousand gallons. The term of this contract is ten years, beginning on the date the contract was executed.

On May 1, 1996, the District executed an emergency water supply contract with Harris County Municipal Utility District No. 150 (District No. 150). The contract states that the interconnect will be constructed by the District at its sole cost. Each district is responsible for maintaining the interconnect lines on its respective side of the point of interconnect. The price to be paid for water shall be \$150 per day. The term of the contract is 40 years, beginning on the date the contract was executed.

On November 1, 2007, the District approved the Third Amended and Restated Emergency Water Supply Contract between the District, District No. 14 and Harris County Municipal Utility District No. 33 (District No. 33). This contract amends the contracts previously entered into on January 2, 1979, May 15, 1985 and June 15, 1988. Under the terms of the agreement, the district supplying water will bill the receiving district at a rate of \$1.00 per 1,000 gallons, plus the rate per 1,000 gallons imposed upon the supplying district by a regional water authority or other governmental entity. If the supplying district is buying the supplied water from any adjoining district, the supplying district will bill the receiving district at the rate per 1,000 gallons equal to the rate paid by the supplying district for such water in the event that such water rate is greater than the rate provided above. In addition, if the supplying district has converted to use of surface water, the billed cost will be the price per 1,000 gallons the supplying district is paying for surface water. Any additional fees imposed on the supplying district by a regional water authority or governmental entity and attributable to water provided to the receiving district will also be included in the price paid by the receiving district. The term of the agreement is for a period of 40 years from the date of execution.

On November 1, 2007, the District approved the Emergency Water Supply Agreement between the District, District No. 14 and Northwest Harris County Municipal Utility District No. 24 (District No. 24). The District is a party to this contract since it is joint owner of the water plant with District No. 14; however, the District has no operational or financing responsibilities under this contract. District No. 14 and District No. 24 have constructed on a 50-50 cost basis the necessary facilities to allow for the delivery of potable water between the two districts. District No. 24 has retained title to the interconnect facilities; however, any interconnect maintenance and repair costs

HARRIS COUNTY UTILITY DISTRICT NO. 15
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 8. WATER SUPPLY AGREEMENTS (Continued)

Emergency Water Supply Contracts (Continued)

will be split on a 50-50 cost basis. Under the terms of the agreement, the district supplying water will bill the receiving district at the same rate charged to residential and commercial users of water located within the boundaries of the district supplying the water, including any regulatory or withdrawal fees. Billing for each district will be determined based upon total estimated pumpage from one district to another based upon the meter readings within a district during the time of usage, as determined by the operator of the district supplying the water. The term of the agreement is for a period of 20 years from the date of the agreement.

NOTE 9. REGIONAL WASTEWATER TREATMENT PLANT

On January 31, 1979, the District, District No. 14, and District No. 33 entered into a 40 year agreement to construct and operate the Lincoln Green Regional Wastewater Treatment Plant (the "Plant"). This agreement has been amended and restated on November 19, 1982, September 9, 1985, February 1, 1987 and February 7, 1996. Construction and related costs were shared based on the pro rata share of capacity acquired by each participant. The District's share of construction and related costs was approximately \$367,000. Effective October 1, 1996, District No. 33 purchased 400,000 gallons per-day of capacity from District No. 14. Effective January 25, 2011, District No. 14 bought 68,750 gallons per day capacity from the District for \$136,183. Each participant's current capacity and percent of ownership is as follows:

<u>Participant</u>	<u>Gallons-Per-Day Capacity</u>	<u>Percent</u>
Harris County Utility District No. 15	690,300	34.52%
Harris County Utility District No. 14	370,700	18.53
Harris County Municipal Utility District No. 33	<u>939,000</u>	<u>46.95</u>
TOTAL	<u><u>2,000,000</u></u>	<u><u>100.00%</u></u>

District No. 33 manages and operates the Plant. The participants are billed a monthly capacity charge based on each participant's pro rata share of capacity and a connection charge for each equivalent connection. Current year billings are adjusted to actual costs incurred as of year end. In addition, each district has paid for its share of an operating and maintenance reserve. During the year ending March 31, 2016, the District paid \$343,697 for its share of operating costs; and the District's share of the operating reserve is \$76,170.

The following summary financial data of the Plant is presented for the fiscal year ended September 30, 2015. A copy of the financial statements for the Plant can be obtained by contacting Radcliffe Bobbitt Adams Polley PLLC, 2929 Allen Parkway, Suite 3450, Houston, Texas 77019-7120.

HARRIS COUNTY UTILITY DISTRICT NO. 15
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 9. REGIONAL WASTEWATER TREATMENT PLANT (Continued)

	General Fund
Total Assets	\$ 327,875
Total Liabilities	97,419
Total Fund Balance	\$ 230,456
Total Revenues	\$ 1,321,726
Total Expenditures	1,301,477
Excess of Revenues Over Expenditures	\$ 20,249
Fund Balance - October 1, 2014	210,207
Fund Balance – September 30, 2015	\$ 230,456

On February 7, 2012, the District and District No. 14 entered into a contract for the 30-inch portion of the joint sanitary sewer line. The District and District No. 14 agree to jointly own and constructed the sewer line based on their ownership percentages. The District will own 48% and District No. 14 will own 52%. The districts will be responsible for operating, maintaining and repairing the sewer line and all costs incurred will be allocated based on their proportionate shares. The term of this contract is 40 years.

NOTE 10. 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. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, boiler and machinery, automobile liability, errors and omissions, and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML’s management. As claims arise they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 11 STRATEGIC PARTNERSHIP AGREEMENT

Effective December 12, 2008, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the “Subject Tract” for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Subject Tract within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water and wastewater system in the District.

HARRIS COUNTY UTILITY DISTRICT NO. 15
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE. 11 STRATEGIC PARTNERSHIP AGREEMENT (Continued)

All taxable property within the District shall not be liable for any present or future debts of the City, and current and future taxes levied by the City shall not be levied on taxable property within the District. Upon the limited-purpose annexation of the Subject Tract and City's municipal courts shall have jurisdiction to adjudicate criminal cases filed under the Planning, Zoning, Health and Safety Ordinances and State laws. Provisions of the Regulatory Plan adopted by the City will be applicable to the Subject Tract of land within the District. The District's assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period preceding full-purpose annexation.

After the Subject Tract is annexed for limited purposes by the City, the qualified voters of the Subject Tract may vote in City elections pursuant to Local Government Code. The City is responsible for notifying the voters within the Subject Tract.

The City shall impose a Sales and Use Tax within the boundaries of the Subject tract upon the limited-purpose annexation of the Subject Tract. The Sales and Use Tax shall be imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City agreed to pay to the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Subject Tract. The City agreed 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 sales tax revenues in the amount of \$97,670. Of this amount, \$8,860 was recorded as receivable at March 31, 2016.

The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is thirty (30) years from the effective date of the agreement.

NOTE. 12 USE OF SURPLUS FUNDS

In accordance with Rule 30 T.A.C. 293.83(c)(3) of the Commission, the District approved the use of surplus Capital Projects Fund monies in the amount of \$101,576 to pay for certain engineering, repair, maintenance and construction costs related to the piping at lift station no. 1, roof repairs at the joint water plant, shade structure at the joint water plant and repairs at the joint sewage treatment plant.

NOTE. 13 SUBSEQUENT EVENT – REFUNDING BOND SALE

On June 14, 2016, the District issued \$4,650,000 of Series 2016 Refunding Bonds to refund a portion of its Series 2010 and Series 2011 Bonds. Proceeds of \$4,984,007 were used to \$1,735,000 of the Series 2010 bonds and \$2,720,000 of the Series 2011 Bonds with maturities of 2021 through 2035 and redemption dates of June 1, 2018 and 2019, respectively. The refunding resulted in gross savings of \$679,888 and net present value savings of \$506,845.

HARRIS COUNTY UTILITY DISTRICT NO. 15

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2016

HARRIS COUNTY UTILITY DISTRICT NO. 15
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 899,833	\$ 953,946	\$ 54,113
Water Service	231,260	226,951	(4,309)
Wastewater Service	339,441	358,593	19,152
Sales Tax Revenues	60,000	97,670	37,670
Penalty and Interest	40,000	38,911	(1,089)
Tap Connection and Inspection Fees	6,000	31,235	25,235
Investment Revenues	6,445	7,618	1,173
Miscellaneous Revenues	13,500	19,793	6,293
TOTAL REVENUES	\$ 1,596,479	\$ 1,734,717	\$ 138,238
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 81,400	\$ 84,582	\$ (3,182)
Contracted Services	259,104	253,503	5,601
Purchased Water Service	219,777	179,196	40,581
Purchased Wastewater Service	269,953	343,697	(73,744)
Utilities	50,700	52,514	(1,814)
Repairs and Maintenance	504,147	529,498	(25,351)
Other	179,457	171,151	8,306
Capital Outlay	450,000	556,799	(106,799)
TOTAL EXPENDITURES	\$ 2,014,538	\$ 2,170,940	\$ (156,402)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (418,059)	\$ (436,223)	\$ (18,164)
OTHER FINANCING SOURCES(USES)			
Transfers In	\$ 300,000	\$	\$ (300,000)
NET CHANGE IN FUND BALANCE	\$ (118,059)	\$ (436,223)	\$ (318,164)
FUND BALANCE - APRIL 1, 2015	1,809,174	1,809,174	
FUND BALANCE - MARCH 31, 2016	\$ 1,691,115	\$ 1,372,951	\$ (318,164)

See accompanying independent auditor's report.

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HARRIS COUNTY UTILITY DISTRICT NO. 15
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
MARCH 31, 2016

**HARRIS COUNTY UTILITY DISTRICT NO. 15
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2016**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved July 24, 2012.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 0.00	0	N	\$ 2.00	0 – 3,000
				2.25	3,001 – 6,000
				2.50	6,001 – 9,000
				2.75	9,001 – 12,000
				3.00	12,001 – 15,000
				3.50	15,001 – 18,000
				4.00	18,001 – 21,000
				4.50	21,001 and up
WASTEWATER:	\$ 12.58*	0	N	\$ 2.00	0 – 3,000
				2.25	3,001 – 6,000
				2.50	6,001 – 9,000
				2.75	9,001 – 12,000
				3.00	12,001 – 15,000
				3.50	15,001 – 18,000
				4.00	18,001 – 21,000
				4.50	21,001 and up

* Includes waste disposal fee of \$12.58

District employs winter averaging for wastewater usage?

<u> </u>	<u> X </u>
Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$23.00 Wastewater: \$35.58 Surcharge: \$0-

See accompanying independent auditor's report.

**HARRIS COUNTY UTILITY DISTRICT NO. 15
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2016**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	896	878	x 1.0	878
1"	6	6	x 2.5	15
1½"	9	9	x 5.0	45
2"	30	30	x 8.0	240
3"	2	2	x 15.0	30
4"			x 25.0	
6"	2	2	x 50.0	100
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>945</u>	<u>927</u>		<u>1,308</u>
Total Wastewater Connections	<u>921</u>	<u>907</u>	x 1.0	<u>907</u>

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

Water Accountability Ratio:
(Gallons billed and sold/Gallons pumped and purchased)

Gallons billed to customers:	99,131,000	_____*
Gallons purchased:	*	

* The District purchases its water from the Harris County Utility District No. 14 – Joint Water Plant. The District currently owns 56.50% of the total capacity in the Joint Water Plant (see Note 8).

**HARRIS COUNTY UTILITY DISTRICT NO. 15
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2016**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

Is the District located within a city's extraterritorial 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.

**HARRIS COUNTY UTILITY DISTRICT NO. 15
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2016**

PROFESSIONAL FEES:	
Auditing	\$ 15,750
Engineering	29,857
Legal	<u>38,975</u>
TOTAL PROFESSIONAL FEES	<u>\$ 84,582</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 179,196
Purchased Wastewater Service	<u>343,697</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 522,893</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 25,288
Operations and Billing	71,816
General Manager	<u>15,000</u>
TOTAL CONTRACTED SERVICES	<u>\$ 112,104</u>
UTILITIES:	
Electricity	\$ 49,658
Telephone	<u>2,856</u>
TOTAL UTILITIES	<u>\$ 52,514</u>
REPAIRS AND MAINTENANCE	<u>\$ 529,498</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 31,050
Community Outreach	36,352
Continuing Director Development	25,092
Insurance	3,000
Office Supplies and Postage	28,061
Payroll Taxes	3,523
Regulatory Assessment	2,881
Other	<u>26,720</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 156,679</u>

See accompanying independent auditor's report.

**HARRIS COUNTY UTILITY DISTRICT NO. 15
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2016**

CAPITAL OUTLAY	<u>\$ 556,799</u>
TAP CONNECTIONS	<u>\$ -0-</u>
SOLID WASTE DISPOSAL	<u>\$ 141,399</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 1,611
Permit Fees	3,526
Reconnection Fees	6,245
Inspection Fees	<u>3,090</u>
TOTAL OTHER EXPENDITURES	<u>\$ 14,472</u>
TOTAL EXPENDITURES	<u><u>\$ 2,170,940</u></u>

See accompanying independent auditor's report.

**HARRIS COUNTY UTILITY DISTRICT NO. 15
INVESTMENTS
MARCH 31, 2016**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
Texas Class	TX-01-0389-0001	Varies	Daily	\$ 496,337	
Certificate of Deposit	XXXX4312	0.50%	09/20/16	150,000	76
Certificate of Deposit	XXXX7327	0.20%	03/31/16	240,000	
Certificate of Deposit	XXXX9015	0.20%	08/24/16	150,000	28
Certificate of Deposit	XXXX5224	0.40%	04/03/16	200,000	717
Certificate of Deposit	XXXX0015	0.45%	05/01/16	150,000	555
Certificate of Deposit	XXXX1570	0.20%	06/13/16	150,000	87
Certificate of Deposit	XXXX8531	0.21%	11/18/16	150,000	33
Certificate of Deposit	XXXX6709	0.45%	07/17/16	150,000	133
Certificate of Deposit	XXXX8759	0.30%	08/26/16	240,000	67
Certificate of Deposit	XXXX3790	0.40%	10/19/16	150,000	62
Certificate of Deposit	XXXX3328	0.35%	09/23/16	150,000	49
TOTAL GENERAL FUND				<u>\$ 2,376,337</u>	<u>\$ 1,807</u>
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXX1640	0.50%	03/25/17	\$ 245,000	\$ 20
Certificate of Deposit	XXXX1232	0.38%	05/20/16	240,000	790
TOTAL DEBT SERVICE FUND				<u>\$ 485,000</u>	<u>\$ 810</u>
<u>CAPITAL PROJECTS FUND</u>					
Texas Class	TX-01-0389-0004	Varies	Daily	\$ 451,063	
Texas Class	TX-01-0389-0005	Varies	Daily	658,425	
Texas Class	TX-01-0389-0006	Varies	Daily	99,683	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 1,209,171</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 4,070,508</u>	<u>\$ 2,617</u>

See accompanying independent auditor's report.

HARRIS COUNTY UTILITY DISTRICT NO. 15
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2016

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
APRIL 1, 2015	\$	74,212	\$	48,231
Adjustments to Beginning				
Balance		19,982	\$	9,588
		\$	94,194	\$
			57,819	
Original 2015 Tax Levy	\$	986,530	\$	387,866
Adjustment to 2015 Tax Levy		198,809	1,185,339	78,164
TOTAL TO BE				
ACCOUNTED FOR		\$	1,279,533	\$
				523,849
TAX COLLECTIONS:				
Prior Years	\$	57,530	\$	29,698
Current Year		1,102,245	1,159,775	433,361
				463,059
TAXES RECEIVABLE -				
MARCH 31, 2016		\$	119,758	\$
				60,790
TAXES RECEIVABLE BY				
YEAR:				
2015	\$	83,094	\$	32,669
2014		9,007		4,279
2013		6,383		4,328
2012		4,706		3,613
2011		4,642		3,638
2010		3,677		3,301
2009		2,239		2,190
2008		1,785		1,636
2007		1,608		1,474
2006		1,025		1,220
2005		689		821
2004		706		1,233
2003		197		388
TOTAL		\$	119,758	\$
				60,790

See accompanying independent auditor's report.

HARRIS COUNTY UTILITY DISTRICT NO. 15
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
PROPERTY VALUATIONS:				
Land	\$ 33,489,486	\$ 31,792,945	\$ 29,097,521	\$ 30,676,991
Improvements	127,737,266	96,385,539	83,931,390	81,108,357
Personal Property	60,890,157	46,392,118	45,661,048	14,314,684
Exemptions	<u>(19,494,236)</u>	<u>(18,319,926)</u>	<u>(14,140,145)</u>	<u>(14,294,555)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 202,622,673</u>	<u>\$ 156,250,676</u>	<u>\$ 144,549,814</u>	<u>\$ 111,805,477</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.230	\$ 0.285	\$ 0.40	\$ 0.43
Maintenance	<u>0.585</u>	<u>0.600</u>	<u>0.59</u>	<u>0.56</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.815</u>	<u>\$ 0.885</u>	<u>\$ 0.99</u>	<u>\$ 0.99</u>
ADJUSTED TAX LEVY*	<u>\$ 1,651,369</u>	<u>\$ 1,382,814</u>	<u>\$ 1,431,039</u>	<u>\$ 1,106,870</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>92.99 %</u>	<u>99.04 %</u>	<u>99.25 %</u>	<u>99.25 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 of assessed valuation approved by voters on April 1, 1978.

See accompanying independent auditor's report.

HARRIS COUNTY UTILITY DISTRICT NO. 15
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2016

S E R I E S - 2 0 1 0				
Due During Fiscal Years Ending March 31	Principal Due June 1	Interest Due June 1/ December 1	Total	
2017	\$ 50,000	\$ 97,199	\$	147,199
2018	55,000	95,099		150,099
2019	55,000	92,899		147,899
2020	60,000	90,539		150,539
2021	65,000	87,914		152,914
2022	70,000	84,886		154,886
2023	75,000	81,442		156,442
2024	80,000	77,761		157,761
2025	85,000	73,843		158,843
2026	90,000	69,630		159,630
2027	95,000	65,121		160,121
2028	105,000	60,246		165,246
2029	110,000	54,936		164,936
2030	120,000	49,186		169,186
2031	125,000	43,030		168,030
2032	135,000	36,465		171,465
2033	145,000	29,341		174,341
2034	155,000	21,653		176,653
2035	165,000	13,453		178,453
2036	180,000	4,612		184,612
	\$ 2,020,000	\$ 1,229,255	\$	3,249,255

See accompanying independent auditor's report.

HARRIS COUNTY UTILITY DISTRICT NO. 15
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2016

S E R I E S - 2 0 1 1				
Due During Fiscal Years Ending March 31	Principal Due June 1	Interest Due June 1/ December 1	Total	
2017	\$ 110,000	\$ 175,156	\$	285,156
2018	110,000	170,756		280,756
2019	120,000	166,156		286,156
2020	125,000	160,944		285,944
2021	130,000	155,206		285,206
2022	135,000	148,991		283,991
2023	140,000	142,288		282,288
2024	145,000	135,159		280,159
2025	150,000	127,600		277,600
2026	160,000	119,356		279,356
2027	165,000	110,419		275,419
2028	170,000	101,100		271,100
2029	180,000	91,256		271,256
2030	185,000	80,991		265,991
2031	195,000	70,059		265,059
2032	200,000	58,456		258,456
2033	210,000	46,413		256,413
2034	220,000	33,781		253,781
2035	230,000	20,563		250,563
2036	235,000	6,904		241,904
	\$ 3,315,000	\$ 2,121,554	\$	5,436,554

See accompanying independent auditor's report.

HARRIS COUNTY UTILITY DISTRICT NO. 15
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2016

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2017	\$ 160,000	\$ 272,355	\$ 432,355
2018	165,000	265,855	430,855
2019	175,000	259,055	434,055
2020	185,000	251,483	436,483
2021	195,000	243,120	438,120
2022	205,000	233,877	438,877
2023	215,000	223,730	438,730
2024	225,000	212,920	437,920
2025	235,000	201,443	436,443
2026	250,000	188,986	438,986
2027	260,000	175,540	435,540
2028	275,000	161,346	436,346
2029	290,000	146,192	436,192
2030	305,000	130,177	435,177
2031	320,000	113,089	433,089
2032	335,000	94,921	429,921
2033	355,000	75,754	430,754
2034	375,000	55,434	430,434
2035	395,000	34,016	429,016
2036	415,000	11,516	426,516
	<u>\$ 5,335,000</u>	<u>\$ 3,350,809</u>	<u>\$ 8,685,809</u>

See accompanying independent auditor's report.

**HARRIS COUNTY UTILITY DISTRICT NO. 15
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2016**

Description	Original Bonds Issued	Bonds Outstanding April 1, 2015
Harris County Utility District No. 15 Unlimited Tax Bonds - Series 2010	\$ 2,220,000	\$ 2,065,000
Harris County Utility District No. 15 Unlimited Tax Bonds - Series 2011	<u>3,720,000</u>	<u>3,420,000</u>
TOTAL	<u><u>\$ 5,940,000</u></u>	<u><u>\$ 5,485,000</u></u>

Bond Authority:	Tax Bonds *	Refunding Bonds
Amount Authorized by Voters	\$ 15,890,000	One and one-half times amount of previously issued bonds
Amount Issued	<u>13,220,000</u>	<u>9,390,000</u>
Remaining to be Issued	<u><u>\$ 2,670,000</u></u>	<u><u>\$ - 0 -</u></u>

Debt Service Fund cash, investments and cash with paying agent balances as of
March 31, 2016: \$ 1,025,404

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 434,290

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding March 31, 2016</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 45,000	\$ 98,987	\$ 2,020,000	The Bank of New York Mellon Trust Company, NA Dallas, TX
	<u>105,000</u>	<u>179,456</u>	<u>3,315,000</u>	The Bank of New York Mellon Trust Company, NA Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 150,000</u>	<u>\$ 278,443</u>	<u>\$ 5,335,000</u>	

See accompanying independent auditor's report.

HARRIS COUNTY UTILITY DISTRICT NO. 15
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2016	2015	2014
REVENUES			
Property Taxes	\$ 953,946	\$ 842,195	\$ 631,237
Water Service	226,951	225,049	226,847
Wastewater Service	358,593	334,209	346,817
Sales Tax Revenues	97,670	51,649	71,092
Penalty and Interest	38,911	40,334	37,163
Tap Connection and Inspection Fees	31,235	67,615	32,318
Sale of Land			54,139
Investment Revenues	7,618	7,474	6,946
Miscellaneous Revenues	19,793	12,478	8,881
TOTAL REVENUES	\$ 1,734,717	\$ 1,581,003	\$ 1,415,440
EXPENDITURES			
Professional Fees	\$ 84,582	\$ 73,141	\$ 74,503
Contracted Services	253,503	252,916	249,484
Purchased Water Service	179,196	160,774	186,350
Purchased Wastewater Service	343,697	274,303	231,158
Utilities	52,514	50,088	50,042
Repairs and Maintenance	529,498	184,871	208,955
Community Outreach	36,352	29,793	26,560
Continuing Director Development	25,092	32,323	35,982
Other	109,707	134,427	104,293
Capital Outlay	556,799	217,273	30,738
TOTAL EXPENDITURES	\$ 2,170,940	\$ 1,409,909	\$ 1,198,065
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (436,223)	\$ 171,094	\$ 217,375
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ (436,223)	\$ 171,094	\$ 217,375
BEGINNING FUND BALANCE	1,809,174	1,638,080	1,420,705
ENDING FUND BALANCE	\$ 1,372,951	\$ 1,809,174	\$ 1,638,080

See accompanying independent auditor's report.

		Percentage of Total Revenue						
2013	2012	2016	2015	2014	2013	2012		
\$ 598,500	\$ 526,385	55.1 %	53.2 %	44.7 %	44.1 %	40.0 %		
265,468	272,254	13.1	14.2	16.0	19.5	20.7		
356,084	392,776	20.7	21.1	24.5	26.2	29.9		
28,920	16,426	5.6	3.3	5.0	2.1	1.2		
39,352	43,538	2.2	2.6	2.6	2.9	3.3		
40,718	20,983	1.8	4.3	2.3	3.0	1.6		
				3.8				
7,068	7,561	0.4	0.5	0.5	0.5	0.6		
22,777	34,867	1.1	0.8	0.6	1.7	2.7		
<u>\$ 1,358,887</u>	<u>\$ 1,314,790</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>		
\$ 89,488	\$ 80,138	4.9 %	4.6 %	5.3 %	6.6 %	6.1 %		
286,500	233,559	14.6	16.0	17.6	21.1	17.8		
196,323	263,139	10.3	10.2	13.2	14.4	20.0		
203,735	214,914	19.8	17.3	16.3	15.0	16.3		
54,770	54,749	3.0	3.2	3.5	4.0	4.2		
227,504	204,926	30.5	11.7	14.8	16.7	15.6		
30,149	24,498	2.1	1.9	1.9	2.2	1.9		
27,361	35,469	1.4	2.0	2.5	2.0	2.7		
79,424	104,567	6.3	8.5	7.4	5.8	8.0		
13,156	157,459	32.1	13.7	2.2	1.0	12.0		
<u>\$ 1,208,410</u>	<u>\$ 1,373,418</u>	<u>125.0 %</u>	<u>89.1 %</u>	<u>84.7 %</u>	<u>88.8 %</u>	<u>104.6 %</u>		
\$ 150,477	\$ (58,628)	(25.0) %	10.9 %	15.3 %	11.2 %	(4.6) %		
\$ 108,475	\$ 222,747							
\$ 258,952	\$ 164,119							
1,161,753	997,634							
<u>\$ 1,420,705</u>	<u>\$ 1,161,753</u>							

See accompanying independent auditor's report.

HARRIS COUNTY UTILITY DISTRICT NO. 15
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2016	2015	2014
REVENUES			
Property Taxes	\$ 455,516	\$ 571,394	\$ 486,482
Penalty and Interest	28,521	24,159	45,652
Interest on Investments	2,475	2,671	1,489
Miscellaneous Revenues	<u>71,373</u>	<u>59,398</u>	<u>16,174</u>
TOTAL REVENUES	<u>\$ 557,885</u>	<u>\$ 657,622</u>	<u>\$ 549,797</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 60,720	\$ 71,641	\$ 56,757
Debt Service Principal	150,000	145,000	140,000
Debt Service Interest and Fees	<u>279,943</u>	<u>285,618</u>	<u>290,605</u>
TOTAL EXPENDITURES	<u>\$ 490,663</u>	<u>\$ 502,259</u>	<u>\$ 487,362</u>
NET CHANGE IN FUND BALANCE	\$ 67,222	\$ 155,363	\$ 62,435
BEGINNING FUND BALANCE	<u>457,330</u>	<u>301,967</u>	<u>239,532</u>
ENDING FUND BALANCE	<u>\$ 524,552</u>	<u>\$ 457,330</u>	<u>\$ 301,967</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>927</u>	<u>927</u>	<u>918</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>907</u>	<u>907</u>	<u>900</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2013	2012	2016	2015	2014	2013	2012
\$ 469,581	\$ 473,144	81.7 %	86.9 %	88.5 %	93.6 %	92.7 %
20,116	30,684	5.1	3.7	8.3	4.0	6.0
1,554	2,518	0.4	0.4	0.3	0.3	0.5
<u>10,730</u>	<u>3,972</u>	<u>12.8</u>	<u>9.0</u>	<u>2.9</u>	<u>2.1</u>	<u>0.8</u>
\$ <u>501,981</u>	\$ <u>510,318</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 52,674	\$ 51,192	10.9 %	10.9 %	10.3 %	10.5 %	10.0 %
135,000	627,636	26.9	22.0	25.5	26.9	123.0
<u>295,918</u>	<u>265,000</u>	<u>50.2</u>	<u>43.4</u>	<u>52.9</u>	<u>59.0</u>	<u>51.9</u>
\$ <u>483,592</u>	\$ <u>943,828</u>	<u>88.0 %</u>	<u>76.3 %</u>	<u>88.7 %</u>	<u>96.4 %</u>	<u>184.9 %</u>
\$ 18,389	\$ (433,510)	<u>12.0 %</u>	<u>23.7 %</u>	<u>11.3 %</u>	<u>3.6 %</u>	<u>(84.9) %</u>
<u>221,143</u>	<u>654,653</u>					
\$ <u>239,532</u>	\$ <u>221,143</u>					
<u>911</u>	<u>900</u>					
<u>897</u>	<u>887</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY UTILITY DISTRICT NO. 15
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2016**

District Mailing Address - Harris County Utility District No. 15
c/o Strawn & Richardson, P.C.
6750 West Loop South, Suite 865
Bellaire, TX 77401-4103

District Telephone Number - (713) 864-5466

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended March 31, 2016	Expense Reimbursements for the year ended March 31, 2016	Title
Eric Goodie	11/2014 – 11/2018 (Elected)	\$ 7,200	\$ 5,730	President
Leonard Mattox	11/2012 – 11/2016 (Elected)	\$ 7,200	\$ 3,352	Vice President
Bridgett Kelley	11/2012 – 11/2016 (Elected)	\$ 5,400	\$ 1,085	Secretary
Kevin Mosley	11/2012 – 11/2016 (Elected)	\$ 4,050	\$ 2,978	Treasurer
Phillip Givens	11/2014 – 11/2018 (Elected)	\$ 22,200*	\$ 8,644	Assistant Secretary and General Manager

Notes: 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 developers or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): November 20, 2014.

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 August 27, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

* Includes \$15,000 of fees paid in relation to General Manager functions.

See accompanying independent auditor's report.

HARRIS COUNTY UTILITY DISTRICT NO. 15
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2016

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended March 31, 2016</u>	<u>Title</u>
Strawn & Richardson, P.C.	08/23/00	\$ 42,079	General Counsel
McCall Gibson Swedlund Barfoot PLLC	08/10/95	\$ 15,750	Auditor
Municipal Accounts & Consulting, L.P.	09/27/01	\$ 28,902	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/24/96	\$ 11,223	Delinquent Tax Attorney
Edminster Hinshaw Russ & Associates	03/24/04	\$ 29,857	Engineer
FirstSouthwest, a Division of Hilltop Securities Inc.	06/30/99	\$ -0-	Financial Advisor
Mark Burton	01/24/12	\$ -0-	Investment Officer
Municipal Operations & Consulting, Inc.	09/12/03	\$ 330,933	Operator
Barbara Wheeler, CTA, RPA	12/21/83	\$ 41,496	Tax Assessor/ Collector

See accompanying independent auditor's report.

