

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 433**

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

August 31, 2016

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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. 433
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. 433, as of and for the year ended August 31, 2016, 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. 433
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. 433, as of August 31, 2016, 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.

McGuire & Co, P.C.

Houston, Texas
December 14, 2016

Management's Discussion and Analysis

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***Harris County Municipal Utility District No. 433
Management's Discussion and Analysis
August 31, 2016***

Using this Annual Report

Within this section of the financial report of Harris County Municipal Utility District No. 433 (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 August 31, 2016. 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. 433
Management's Discussion and Analysis
August 31, 2016***

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 August 31, 2016, was negative \$12,910,454. This amount is negative partially because the District incurs debt to construct public roads which, since Harris County assumes responsibility for the maintenance of, are not considered capital assets of the District. The cost of roads constructed within the District is recorded as a transfer to other governments, reducing net position. A comparative summary of the District's overall financial position, as of August 31, 2016 and 2015, is as follows:

	2016	2015
Current and other assets	\$ 4,379,421	\$ 5,866,636
Capital assets	44,624,983	25,702,701
Total assets	<u>49,004,404</u>	<u>31,569,337</u>
Current liabilities	1,057,907	804,058
Long-term liabilities	60,856,951	41,341,823
Total liabilities	<u>61,914,858</u>	<u>42,145,881</u>
Net position		
Net investment in capital assets	(8,849,087)	(7,201,376)
Restricted for debt service	899,030	1,242,845
Restricted for joint water plant operations	28,227	28,227
Unrestricted	(4,988,624)	(4,646,240)
Total net position	<u>\$ (12,910,454)</u>	<u>\$ (10,576,544)</u>

***Harris County Municipal Utility District No. 433
Management's Discussion and Analysis
August 31, 2016***

The total net position of the District decreased during the current fiscal year by \$2,333,910. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2016</u>	<u>2015</u>
Revenues		
Property taxes, penalties and interest	\$ 3,116,999	\$ 1,398,676
Water and sewer service	1,331,483	904,571
Water supply	1,260,993	945,159
Other	445,579	407,895
Total revenues	<u>6,155,054</u>	<u>3,656,301</u>
Expenses		
Current service operations	3,533,191	2,774,469
Interest and fees	1,613,804	2,072,603
Debt issuance costs	280,195	832,645
Capital contribution		
Depreciation	861,711	411,385
Total expenses	<u>6,288,901</u>	<u>6,091,102</u>
Change in net position before other item	(133,847)	(2,434,801)
Other items		
Litigation settlement		100,000
Capital contribution	(1,208,916)	
Transfers to other governments	(991,147)	(4,794,708)
Change in net position	(2,333,910)	(7,129,509)
Net position, beginning of year	(10,576,544)	(3,447,035)
Net position, end of year	<u>\$ (12,910,454)</u>	<u>\$ (10,576,544)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of August 31, 2016, were \$3,772,248, which consists of \$1,639,083 in the General Fund, \$892,581 in the Debt Service Fund, \$1,212,357 in the Capital Projects Fund and \$28,227 in the Special Revenue Fund.

***Harris County Municipal Utility District No. 433
Management's Discussion and Analysis
August 31, 2016***

General Fund

A comparative summary of the General Fund's financial position as of August 31, 2016 and 2015 is as follows:

	2016	2015
Total assets	<u>\$ 1,922,023</u>	<u>\$ 1,476,403</u>
Total liabilities	\$ 275,123	\$ 245,259
Total deferred inflows	7,817	4,638
Total fund balance	<u>1,639,083</u>	<u>1,226,506</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,922,023</u>	<u>\$ 1,476,403</u>

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

	2016	2015
Total revenues	\$ 3,853,003	\$ 2,426,912
Total expenditures	<u>(2,231,510)</u>	<u>(1,623,332)</u>
Revenues over expenditures	1,621,493	803,580
Other changes in fund balance	<u>(1,208,916)</u>	<u>100,000</u>
Net change in fund balance	<u>\$ 412,577</u>	<u>\$ 903,580</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 revenue sources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District, and tap connection fees charged to homebuilders in the District. Revenues are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water, sewer and surface water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.

***Harris County Municipal Utility District No. 433
Management's Discussion and Analysis
August 31, 2016***

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of August 31, 2016 and 2015 is as follows:

	2016	2015
Total assets	<u>\$ 899,030</u>	<u>\$ 1,242,982</u>
Total liabilities	\$ -	\$ 137
Total deferred inflows	6,449	2,268
Total fund balance	892,581	1,240,577
Total liabilities, deferred inflows and fund balance	<u>\$ 899,030</u>	<u>\$ 1,242,982</u>

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

	2016	2015
Total revenues	\$ 1,033,046	\$ 298,595
Total expenditures	<u>(1,537,928)</u>	<u>(854,802)</u>
Revenues under expenditures	(504,882)	(556,207)
Other changes in fund balance	156,886	1,272,004
Net change in fund balance	<u>\$ (347,996)</u>	<u>\$ 715,797</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues and capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements will result in changes 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 August 31, 2016 and 2015 is as follows:

	2016	2015
Total assets	<u>\$ 1,334,770</u>	<u>\$ 2,914,149</u>
Total liabilities	\$ 122,413	\$ 28,787
Total fund balance	1,212,357	2,885,362
Total liabilities and fund balance	<u>\$ 1,334,770</u>	<u>\$ 2,914,149</u>

***Harris County Municipal Utility District No. 433
Management's Discussion and Analysis
August 31, 2016***

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

	<u>2016</u>	<u>2015</u>
Total revenues	\$ 5,121	\$ 583
Total expenditures	(5,982,616)	(12,503,791)
Revenues under expenditures	(5,977,495)	(12,503,208)
Other changes in fund balance	4,304,490	14,527,865
Net change in fund balance	<u>\$ (1,673,005)</u>	<u>\$ 2,024,657</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2016 Unlimited Tax Bond in the current year and proceeds from the sale of its Series 2015 and 2015A Unlimited Tax Bonds in the prior year.

Special Revenue Fund

A comparative summary of the Special Revenue Fund's financial position as of August 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Total assets	<u>\$ 223,598</u>	<u>\$ 233,102</u>
Total liabilities	\$ 195,371	\$ 204,875
Total fund balance	28,227	28,227
Total liabilities and fund balance	<u>\$ 223,598</u>	<u>\$ 233,102</u>

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

	<u>2016</u>	<u>2015</u>
Total revenues	\$ 1,261,091	\$ 945,249
Total expenditures	(1,261,091)	(945,249)
Revenues under expenditures	<u>\$ -</u>	<u>\$ -</u>

Revenues in the Special Revenue Fund primarily consist of charges to participants. The amount the District charges is based upon the actual cost of providing services. Consequently, revenues will equal expenditures each year.

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 \$1,252,578 less than budgeted. The *Budgetary*

Harris County Municipal Utility District No. 433
Management's Discussion and Analysis
August 31, 2016

Comparison Schedule on page 38 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers 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 August 31, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Capital assets not being depreciated		
Land and improvements	\$ 10,004,297	\$ 8,393,993
Construction in progress	935,078	
	<u>10,939,375</u>	<u>8,393,993</u>
Capital assets being depreciated		
Water, wastewater and drainage facilities	33,241,593	18,423,873
Road facilities	24,935	24,935
Landscaping improvements	2,420,891	
	<u>35,687,419</u>	<u>18,448,808</u>
Less accumulated depreciation		
Water, wastewater and drainage facilities	(1,875,227)	(1,135,114)
Road facilities	(5,540)	(4,986)
Landscaping improvements	(121,044)	
	<u>(2,001,811)</u>	<u>(1,140,100)</u>
Depreciable capital assets, net	<u>33,685,608</u>	<u>17,308,708</u>
Capital assets, net	<u>\$ 44,624,983</u>	<u>\$ 25,702,701</u>

Capital asset additions during the current year include the following:

- Amenity lakes to serve Cypress Creek Lakes, Section 22
- Utilities to serve Cypress Creek Lakes, Section 23 and 24
- Utilities and amenity lakes to serve Cypress Creek Lakes, Section 25 and 26
- Water and drainage facilities to serve Cypress Creek Lakes, Brazos Sage Drive Street Dedication, Section 1
- Water Plant No. 1, Ground Storage Tank No. 3
- Lift Station No. 1
- Wastewater treatment plant expansion
- Water Plant No. 2
- Landscaping improvements at Cypress Creek Lakes Sections 15, 21, 25, 23, and 26
- Landscaping improvements at Cypress Creek Lakes internal drainage channel

***Harris County Municipal Utility District No. 433
Management's Discussion and Analysis
August 31, 2016***

The District's construction in progress is for the construction of paving to serve Cypress Plaza Parkway, Section 2 and the installation of four traffic signals at several intersections.

Harris County assumes responsibility for public road facilities constructed within the county. Consequently, these projects are not recorded as capital assets on the District's financial statements, but are recorded as transfers to other governments upon completion of construction. For the year ended August 31, 2016, capital assets in the amount of \$991,147 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 9.

Long-Term Debt and Related Liabilities

As of August 31, 2016, the District owes its developer \$33,004,603 for completed projects. As discussed in Note 6, the District has contractual commitments for ongoing construction projects in the amount of \$1,718,614. As previously mentioned, the District will owe its 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 August 31, 2016 and 2015, the District had total bonded debt outstanding as shown below:

Series	2016	2015
2014	\$ 8,250,000	\$ 8,375,000
2015	6,280,000	6,455,000
2015 Road	10,105,000	10,130,000
2016	4,410,000	
	<u>\$ 29,045,000</u>	<u>\$ 24,960,000</u>

During the year, the District issued \$4,575,000 in unlimited tax bonds. At August 31, 2016, the District had \$180,220,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$20,000,000 for parks and recreational facilities and \$4,845,000 for road improvements.

***Harris County Municipal Utility District No. 433
Management's Discussion and Analysis
August 31, 2016***

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 water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	<u>2016 Actual</u>	<u>2017 Budget</u>
Total revenues	\$ 3,853,003	\$ 2,928,029
Total expenditures	<u>(2,231,510)</u>	<u>(2,437,964)</u>
Revenues over expenditures	1,621,493	490,065
Other changes in fund balance	<u>(1,208,916)</u>	
Net change in fund balance	412,577	490,065
Beginning fund balance	1,226,506	1,639,083
Ending fund balance	<u><u>\$ 1,639,083</u></u>	<u><u>\$ 2,129,148</u></u>

Property Taxes

The District's property tax base increased approximately \$83,554,000 for the 2016 tax year from \$241,773,469 to \$325,327,517. This increase was primarily due to new construction in the District. For the 2016 tax year, the District has levied a maintenance tax rate of \$0.796 per \$100 of assessed value and a debt service tax rate of \$0.404 per \$100 of assessed value, for a total combined tax rate of \$1.20 per \$100. Tax rates for the 2015 tax year were \$0.7825 per \$100 for maintenance and operations and \$0.4175 per \$100 for debt service.

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Basic Financial Statements

Harris County Municipal Utility District No. 433
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2016

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Assets					
Cash	\$ 850,305	\$ 37,931	\$ -	\$ 57,361	\$ 945,597
Investments	820,555	860,729	1,334,770		3,016,054
Taxes receivable	7,817	6,449			14,266
Due from other districts				73,896	73,896
Customer service receivables	326,852				326,852
Internal balances	(83,506)	(8,835)		92,341	
Other receivables		2,756			2,756
Capital assets not being depreciated					
Capital assets, net					
Total Assets	<u>\$ 1,922,023</u>	<u>\$ 899,030</u>	<u>\$ 1,334,770</u>	<u>\$ 223,598</u>	<u>\$ 4,379,421</u>
Liabilities					
Accounts payable	\$ 154,722	\$ -	\$ 54,504	\$ 160,371	\$ 369,597
Retainage payable	4,928		67,909		72,837
Other payables	9,383				9,383
Customer deposits	87,890				87,890
Builder deposits	950				950
Unearned revenue	17,250				17,250
Operating reserve				35,000	35,000
Due to developer					
Long-term debt					
Due within one year					
Due after one year					
Total Liabilities	<u>275,123</u>	<u></u>	<u>122,413</u>	<u>195,371</u>	<u>592,907</u>
Deferred Inflows of Resources					
Deferred property taxes	<u>7,817</u>	<u>6,449</u>			<u>14,266</u>
Fund Balances/Net Position					
Fund Balances					
Restricted		892,581	1,212,357		2,104,938
Committed				28,227	28,227
Unassigned	1,639,083				1,639,083
Total Fund Balances	<u>1,639,083</u>	<u>892,581</u>	<u>1,212,357</u>	<u>28,227</u>	<u>3,772,248</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,922,023</u>	<u>\$ 899,030</u>	<u>\$ 1,334,770</u>	<u>\$ 223,598</u>	<u>\$ 4,379,421</u>
Net Position					
Net investment in capital assets					
Restricted for debt service					
Restricted for joint water plant operations					
Unrestricted					
Total Net Position					
See notes to basic financial statements.					

<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ -	\$ 945,597
	3,016,054
	14,266
	73,896
	326,852
	2,756
10,939,375	10,939,375
<u>33,685,608</u>	<u>33,685,608</u>
<u>44,624,983</u>	<u>49,004,404</u>
	369,597
	72,837
	9,383
	87,890
	950
	17,250
	35,000
33,004,603	33,004,603
465,000	465,000
<u>27,852,348</u>	<u>27,852,348</u>
<u>61,321,951</u>	<u>61,914,858</u>
<u>(14,266)</u>	
(2,104,938)	
(28,227)	
<u>(1,639,083)</u>	
<u>(3,772,248)</u>	
(8,849,087)	(8,849,087)
899,030	899,030
28,227	28,227
<u>(4,988,624)</u>	<u>(4,988,624)</u>
<u>\$ (12,910,454)</u>	<u>\$ (12,910,454)</u>

Harris County Municipal Utility District No. 433
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended August 31, 2016

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Revenues					
Water service	\$ 449,260	\$ -	\$ -	\$ -	\$ 449,260
Sewer service	341,586				341,586
Water supply				1,260,993	1,260,993
Property taxes	2,071,377	1,013,102			3,084,479
Penalties and interest	14,471	10,689			25,160
Tap connection and inspection	411,570				411,570
Surface water	540,637				540,637
Accrued interest on bonds sold		4,567			4,567
Miscellaneous	19,537				19,537
Investment earnings	4,565	4,688	5,121	98	14,472
Total Revenues	3,853,003	1,033,046	5,121	1,261,091	6,152,261
Expenditures/Expenses					
Current service operations					
Joint water plant	720,783				720,783
Professional fees	151,542		4,214	7,132	162,888
Contracted services	593,396	33,385		18,699	645,480
Repairs and maintenance	662,884			80,816	743,700
Utilities	42,873			48,995	91,868
Regional water authority fees				1,091,013	1,091,013
Administrative	55,096	2,991		14,436	72,523
Other	4,936				4,936
Capital outlay			5,123,276		5,123,276
Debt service					
Principal		490,000			490,000
Interest and fees		1,011,552	574,931		1,586,483
Debt issuance costs			280,195		280,195
Depreciation					
Total Expenditures/Expenses	2,231,510	1,537,928	5,982,616	1,261,091	11,013,145
Revenues Over (Under)					
Expenditures/Expenses	1,621,493	(504,882)	(5,977,495)		(4,860,884)
Other Financing Sources/(Uses)					
Proceeds from sale of bonds		156,886	4,418,114		4,575,000
Bond discount			(113,624)		(113,624)
Other Items					
Capital contribution	(1,208,916)				(1,208,916)
Transfers to other governments					
Net Change in Fund Balances	412,577	(347,996)	(1,673,005)		(1,608,424)
Change in Net Position					
Fund Balance/Net Position					
Beginning of the year	1,226,506	1,240,577	2,885,362	28,227	5,380,672
End of the year	\$ 1,639,083	\$ 892,581	\$ 1,212,357	\$ 28,227	\$ 3,772,248

See notes to basic financial statements.

<u>Adjustments</u>	<u>Statement of Activities</u>
\$ -	\$ 449,260
	341,586
	1,260,993
6,185	3,090,664
1,175	26,335
	411,570
	540,637
(4,567)	19,537
	14,472
<u>2,793</u>	<u>6,155,054</u>
	720,783
	162,888
	645,480
	743,700
	91,868
	1,091,013
	72,523
	4,936
(5,123,276)	
(490,000)	
27,321	1,613,804
	280,195
861,711	861,711
<u>(4,724,244)</u>	<u>6,288,901</u>
4,727,037	(133,847)
(4,575,000)	
113,624	
	(1,208,916)
(991,147)	(991,147)
1,608,424	
(2,333,910)	(2,333,910)
(15,957,216)	(10,576,544)
<u>\$ (16,682,702)</u>	<u>\$ (12,910,454)</u>

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Harris County Municipal Utility District No. 433
Notes to Basic Financial Statements
August 31, 2016

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Municipal Utility District No. 433 (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 and Harris County Municipal Utility District No. 435 were each created by the Texas Commission on Environmental Quality effective January 17, 2006, and were confirmed by election on May 13, 2005. HCMUD Nos. 433 and 435 were consolidated by elections held May 14, 2011, in each District, pursuant to a Consolidation Agreement dated February 1, 2011. The District operates in accordance with the Texas Water Code, Chapters 49 and 54.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. 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 four 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's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. 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 road facilities.
- The Special Revenue Fund is used to account for the operation and maintenance of a joint water plant. The principal source of revenues is charges to participating districts, which equal the costs of operating the plant.

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, interest earned on investments and income from District operations. 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.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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 August 31, 2016, 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.

Depreciable capital assets, which primarily consist of water, wastewater, drainage, landscaping improvements and road facilities, are depreciated using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Water, wastewater and drainage facilities	20-45 years
Road facilities	45 years
Landscaping improvements	20 years

The District’s drainage channels are considered improvements to land and are non-depreciable.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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 and capitalized interest 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's committed fund balance in the Special Revenue Fund consist of amounts restricted for the operation of the joint water plant in accordance with the District's contract with Harris County Municipal Utility District No. 374.

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. 433
Notes to Basic Financial Statements
August 31, 2016

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 collectibility of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to Harris County 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. 433
Notes to Basic Financial Statements
August 31, 2016

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		\$ 3,772,248
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 46,626,794	
Less accumulated depreciation	<u>(2,001,811)</u>	
Change due to capital assets		44,624,983
Amounts due to the District's developer for prefunded construction is recorded as a liability in the <i>Statement of Net Position</i> .		(33,004,603)
Certain 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.		(28,317,348)
Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		
Property taxes receivable	11,988	
Penalty and interest receivable	<u>2,278</u>	
Change due to property taxes		14,266
Total net position - governmental activities		<u><u>\$ (12,910,454)</u></u>

Harris County Municipal Utility District No. 433
Notes to Basic Financial Statements
August 31, 2016

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 \$ (1,608,424)

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 and related penalty and interest. 7,360

Governmental funds report capital outlays for developer reimbursements and construction costs 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	\$ 5,123,276	
Depreciation expense	(861,711)	
		4,261,565

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Issuance of long term debt	(4,575,000)	
Bond discount	113,624	
Principal payments	490,000	
Interest expense accrual	(31,888)	
		(4,003,264)

The District conveys its infrastructure to Harris County upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments. (991,147)

Change in net position of governmental activities \$ (2,333,910)

Harris County Municipal Utility District No. 433
Notes to Basic Financial Statements
August 31, 2016

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.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, 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) insured or collateralized certificates of deposit, (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.

As of August 31, 2016, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 820,555	AAAm	80 days
	Debt Service	860,729		
	Capital Projects	1,334,770		
Total		<u>\$ 3,016,054</u>		

Harris County Municipal Utility District No. 433
Notes to Basic Financial Statements
August 31, 2016

Note 3 – Deposits and Investments (continued)

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District’s position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 4 – Amounts Due to/from Other Funds

Amounts due to/from other funds at August 31, 2016, consist of the following:

	Interfund	
	Receivable	Payable
General Fund	\$ 8,835	\$ 92,341
Debt Service Fund		8,835
Special Revenue Fund	92,341	
	<u>\$ 101,176</u>	<u>\$ 101,176</u>

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. 433
Notes to Basic Financial Statements
August 31, 2016

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended August 31, 2016, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land	\$ 8,393,993	\$ 1,610,304	\$ 10,004,297
Construction in progress		935,078	935,078
	<u>8,393,993</u>	<u>2,545,382</u>	<u>10,939,375</u>
Capital assets being depreciated			
Water, wastewater and drainage facilities	18,423,873	14,817,720	33,241,593
Road facilities	24,935		24,935
Landscaping improvements		2,420,891	2,420,891
	<u>18,448,808</u>	<u>17,238,611</u>	<u>35,687,419</u>
Less accumulated depreciation			
Water, wastewater and drainage facilities	(1,135,114)	(740,113)	(1,875,227)
Road facilities	(4,986)	(554)	(5,540)
Landscaping improvements		(121,044)	(121,044)
	<u>(1,140,100)</u>	<u>(861,711)</u>	<u>(2,001,811)</u>
Subtotal depreciable capital assets, net	<u>17,308,708</u>	<u>16,376,900</u>	<u>33,685,608</u>
Capital assets, net	<u>\$ 25,702,701</u>	<u>\$ 18,922,282</u>	<u>\$ 44,624,983</u>

Depreciation expense for the current year was \$861,711.

In addition, the District has the following contractual commitments for construction projects:

	Contract Amount	Amounts Paid	Remaining Commitment
Cypress Plaza Parkway, Section 2 - paving	\$ 750,971	\$ 679,083	\$ 71,888
Installation of four traffic signals at Fry Road at Cypress Plaza Pkwy, Fry Rd at Brazos Sage, Cypress Creek Bend at Tuckerton Rd and Sawmill Creek at Tuckerton Rd			
	655,730		655,730
	<u>\$ 1,406,701</u>	<u>\$ 679,083</u>	<u>\$ 727,618</u>

Note 6 – Due to Developer

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer, drainage, and road 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.

Harris County Municipal Utility District No. 433
Notes to Basic Financial Statements
August 31, 2016

Note 6 – Due to Developer (continued)

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

Due to developer, beginning of year	\$ 17,352,739
Developer reimbursements	(3,666,567)
Developer funded construction and adjustments	19,318,431
Due to developer, end of year	<u>\$ 33,004,603</u>

In addition, the District will owe the developer approximately \$1,718,614, 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
Cypress Plaza Parkway - water, sewer and drainage	\$ 815,000	\$ 778,767	\$ 36,233
Cypress Creek Lakes detention within the U500-20-00 detention basin	903,614	686,733	216,881
	<u>\$ 1,718,614</u>	<u>\$ 1,465,500</u>	<u>\$ 253,114</u>

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 29,045,000
Unamortized discounts	(727,652)
	<u>\$ 28,317,348</u>
Due within one year	<u>\$ 465,000</u>

Harris County Municipal Utility District No. 433
Notes to Basic Financial Statements
August 31, 2016

Note 7 – Long-Term Debt (continued)

The District’s bonds payable at August 31, 2016, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2014	\$ 8,250,000	\$ 8,500,000	2.50% - 4.375%	September 1, 2014/2038	March 1, September 1	September 1, 2020
2015	6,280,000	6,605,000	3.0% - 4.0%	September 1, 2015/2039	March 1, September 1	September 1, 2021
2015 Road	10,105,000	10,155,000	3.0% - 4.0%	September 1, 2015/2039	March 1, September 1	September 1, 2022
2016	4,410,000	4,575,000	2.0% - 3.625%	September 1, 2016/2040	March 1, September 1	September 1, 2023
	<u>\$ 29,045,000</u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At August 31, 2016, the District had authorized but unissued bonds in the amount of \$180,220,000 for water, sewer and drainage facilities; \$20,000,000 for park and recreational facilities; and \$4,845,000 for road improvements.

On January 13, 2016, the District issued its \$4,575,000 Series 2016 Unlimited Tax Bonds at a net effective interest rate of 3.429195%. Proceeds of the bonds were used to reimburse the developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	\$ 24,960,000
Bonds issued	4,575,000
Bonds retired	(490,000)
Bonds payable, end of year	<u>\$ 29,045,000</u>

Harris County Municipal Utility District No. 433
Notes to Basic Financial Statements
August 31, 2016

Note 7 – Long-Term Debt (continued)

The debt service payment due September 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of August 31, 2016, annual debt service requirements on bonds outstanding are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 465,000	\$ 1,041,294	\$ 1,506,294
2018	495,000	1,027,244	1,522,244
2019	795,000	1,012,094	1,807,094
2020	825,000	987,319	1,812,319
2021	880,000	961,444	1,841,444
2022	910,000	933,020	1,843,020
2023	970,000	903,232	1,873,232
2024	1,025,000	870,606	1,895,606
2025	1,055,000	839,595	1,894,595
2026	1,110,000	807,325	1,917,325
2027	1,165,000	772,400	1,937,400
2028	1,225,000	734,468	1,959,468
2029	1,305,000	692,843	1,997,843
2030	1,340,000	647,007	1,987,007
2031	1,420,000	598,300	2,018,300
2032	1,480,000	546,239	2,026,239
2033	1,560,000	490,674	2,050,674
2034	1,645,000	433,538	2,078,538
2035	1,730,000	368,549	2,098,549
2036	1,790,000	300,037	2,090,037
2037	1,825,000	228,419	2,053,419
2038	1,905,000	155,520	2,060,520
2039	1,845,000	79,468	1,924,468
2040	280,000	10,150	290,150
	<u>\$ 29,045,000</u>	<u>\$ 15,440,785</u>	<u>\$ 44,485,785</u>

Note 8 – Property Taxes

On May 14, 2011, 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. 433
Notes to Basic Financial Statements
August 31, 2016

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 2016 fiscal year was financed through the 2015 tax levy, pursuant to which the District levied property taxes of \$1.20 per \$100 of assessed value, of which \$0.7825 was allocated to maintenance and operations and \$0.4175 was allocated to debt service. The resulting tax levy was \$2,901,282 on the adjusted taxable value of \$241,773,469.

Property taxes receivable, at August 31, 2016, consisted of the following:

Current year taxes receivable	\$ 11,988
Penalty and interest receivable	2,278
Property taxes receivable	<u>\$ 14,266</u>

Note 9 – Transfers to Other Governments

Harris County assumes responsibility for the maintenance of public roads constructed within the boundaries of the District. Accordingly, these facilities are considered to be capital assets of Harris County, not the District. For the year ended August 31, 2016, the District recorded transfers to other governments in the amount of \$991,147 for road facilities constructed within the District.

Note 10 – Water Supply Agreement

The District and Harris County Municipal Utility District No. 374 (“MUD 374”) are party to a water supply agreement, which establishes the terms and conditions under which the districts will allocate costs for the construction and operation of a water plant to serve the districts. The District shall hold legal title to the water plant and the water plant site for benefit of the participants. Each participating district shall have an undivided, equitable interest in the water plant based on the district’s allocated share of equivalent single family connections (ESFCs) as a percentage of total available ESFCs. As of August 31, 2016, MUD 374 has a 39% interest and the District has a 61% interest.

The District is responsible for the operation and maintenance of the water plant and has established a separate fund (the Special Revenue Fund) to account for all activity related to the water plant. Each participating district shall be billed monthly based on a pro rata share of water usage. For the fiscal year ended August 31, 2016, MUD 374 was charged \$540,210 and the District was charged \$720,783 for water supplied pursuant to this agreement. MUD 374 and the District have both paid operating reserves of \$35,000 as of August 31, 2016.

Harris County Municipal Utility District No. 433
Notes to Basic Financial Statements
August 31, 2016

Note 11 – Regional Water Authority

The District is within the boundaries of the West Harris County Regional Water Authority (the “Authority”), which was created by the Texas Legislature. The Authority is a political subdivision of the State of Texas, governed by an elected nine member Board of Directors. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Coastal Subsidence District, which regulates groundwater withdrawal.

As of August 31, 2016, the Authority’s rates are \$2.25 per 1,000 gallons of water pumped from the District’s wells and \$2.65 for surface water supplied to the District. These rates are subject to future increases. The District passes these costs on to its customers plus 10%. During the current year, the District recognized \$540,637 in revenues in the General Fund. In the Special Revenue Fund, the District recognized \$1,091,013 in expenditures related to regional water authority fees.

Note 12 – 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.

Note 13 – Subsequent Event

On December 14, 2016 the District approved the sale of its Series 2017 Unlimited Tax Bonds in the amount of \$9,995,000 at a net effective interest rate of 3.869102%. The bond sale is scheduled to close on January 11, 2017. Proceeds from the bonds will be used to reimburse the District’s developers for infrastructure improvements in the District.

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Required Supplementary Information

*Harris County Municipal Utility District No. 433
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2016*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 433,961	\$ 449,260	\$ 15,299
Sewer service	318,671	341,586	22,915
Property taxes	1,570,000	2,071,377	501,377
Penalties and interest	6,000	14,471	8,471
Tap connection and inspection	380,700	411,570	30,870
Surface water	542,392	540,637	(1,755)
Miscellaneous	6,000	19,537	13,537
Investment earnings	600	4,565	3,965
Total Revenues	<u>3,258,324</u>	<u>3,853,003</u>	<u>594,679</u>
Expenditures			
Current service operations			
Joint water plant	568,066	720,783	(152,717)
Professional fees	138,000	151,542	(13,542)
Contracted services	583,948	593,396	(9,448)
Repairs and maintenance	226,520	662,884	(436,364)
Utilities	14,400	42,873	(28,473)
Administrative	53,635	55,096	(1,461)
Other	8,600	4,936	3,664
Total Expenditures	<u>1,593,169</u>	<u>2,231,510</u>	<u>(638,341)</u>
Revenues Over Expenditures	1,665,155	1,621,493	(43,662)
Other Item			
Capital contribution		(1,208,916)	(1,208,916)
Net Change in Fund Balance	1,665,155	412,577	(1,252,578)
Fund Balance			
Beginning of the year	1,226,506	1,226,506	
End of the year	<u>\$ 2,891,661</u>	<u>\$ 1,639,083</u>	<u>\$ (1,252,578)</u>

Harris County Municipal Utility District No. 433
Required Supplementary Information - Budgetary Comparison Schedule - Special Revenue Fund
For the Year Ended August 31, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water supply	\$ 1,094,090	\$ 1,260,993	\$ 166,903
Investment earnings		98	98
Total Revenues	1,094,090	1,261,091	167,001
Expenditures			
Current service operations			
Professional fees	6,000	7,132	(1,132)
Contracted services	17,500	18,699	(1,199)
Repairs and maintenance	37,200	80,816	(43,616)
Utilities	36,000	48,995	(12,995)
Regional water authority fees	985,690	1,091,013	(105,323)
Administrative	11,700	14,436	(2,736)
Total Expenditures	1,094,090	1,261,091	(167,001)
Revenues Over/(Under) Expenditures	-	-	-
Fund Balance			
Beginning of the year	28,227	28,227	
End of the year	\$ 28,227	\$ 28,227	\$ -

Harris County Municipal Utility District No. 433
Notes to Required Supplementary Information
August 31, 2016

Budgets and Budgetary Accounting

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

Texas Supplementary Information

Harris County Municipal Utility District No. 433
TSI-1. Services and Rates
August 31, 2016

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

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

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:	\$ 18.00	5,000	N	\$ 1.75	5,001 to	10,000
				2.00	10,001 to	20,000
				2.50	20,001 to	no limit
Wastewater:	\$ 10.00			45% of water bill		
Surcharge:	\$ -	N/A	N	\$ 2.92	1,000 to	no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 55.95 Wastewater \$ 10.00

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Connections</u>	<u>Connections</u>	<u>ESFC Factor</u>	<u>ESFC'S</u>
Unmetered			x 1.0	
less than 3/4"	658	654	x 1.0	654
1"	338	338	x 2.5	845
1.5"	2	2	x 5.0	10
2"	50	50	x 8.0	400
3"	1	1	x 15.0	15
4"	1	1	x 25.0	25
6"			x 50.0	
8"	1	1	x 80.0	80
10"			x 115.0	
Total Water	1,051	1,047		2,029
Total Wastewater	1,000	996	x 1.0	996

See accompanying auditor's report.

Harris County Municipal Utility District No. 433
TSI-1. Services and Rates
August 31, 2016

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>10,296,000</u>	Water Accountability Ratio: (Gallons billed/ Gallons pumped/purchased)
Gallons purchased from WHCRWA:	<u>413,785,000</u>	
Gallons billed to customers:	<u>196,211,000</u>	
Gallons sold to HC MUD 374:	<u>200,872,100</u>	
		<u>93.63%</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: _____

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

Entirely Partly Not at all

ETJs in which the District is located: City of Houston

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. 433
 TSI-2 General Fund Expenditures
 For the Year Ended August 31, 2016*

Joint water plant	
Operating and maintenance	\$ 134,873
Regional Water Authority fees	585,910
	<u>720,783</u>
Professional fees	
Legal	89,304
Audit	12,500
Financial advisor	1,580
Engineering	48,158
	<u>151,542</u>
Contracted services	
Bookkeeping	30,830
Operator	56,804
Garbage collection	178,241
Security service	100,728
Tap connection and inspection	208,850
Sludge and waste disposal	17,943
	<u>593,396</u>
Repairs and maintenance	<u>662,884</u>
Utilities	<u>42,873</u>
Administrative	
Directors fees	8,700
Printing and office supplies	13,788
Insurance	15,764
Other	16,844
	<u>55,096</u>
Other	<u>4,936</u>
Total expenditures	<u><u>\$ 2,231,510</u></u>

See accompanying auditors' report.

Harris County Municipal Utility District No. 433
TSI-3. Investments
August 31, 2016

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year
General				
TexPool	7939900001	Variable	N/A	<u>\$ 820,555</u>
Debt Service				
TexPool	7939900002	Variable	N/A	569,310
TexPool	7939900006	Variable	N/A	291,419
				<u>860,729</u>
Capital Projects				
TexPool	7939900007	Variable	N/A	183,011
TexPool	7939900004	Variable	N/A	51,681
TexPool	7939900005	Variable	N/A	1,100,078
				<u>1,334,770</u>
				<u>\$ 3,016,054</u>

See accompanying auditors' report.

Harris County Municipal Utility District No. 433
TSI-4. Taxes Levied and Receivable
August 31, 2016

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 4,638	\$ 1,165	\$ 5,803	
Adjustments	1,303	327	1,630	
Adjusted Receivable	5,941	1,492	7,433	
2015 Original Tax Levy	1,582,571	844,375	2,426,946	
Adjustments	309,306	165,030	474,336	
Adjusted Tax Levy	1,891,877	1,009,405	2,901,282	
Rollback Taxes	181,376	6,376	187,752	
Total to be accounted for	2,079,194	1,017,273	3,096,467	
Tax collections:				
Current year	1,884,060	1,005,234	2,889,294	
Prior years	187,317	7,868	195,185	
Total Collections	2,071,377	1,013,102	3,084,479	
Taxes Receivable, End of Year	\$ 7,817	\$ 4,171	\$ 11,988	
Taxes Receivable, By Years				
2015	\$ 7,817	\$ 4,171	\$ 11,988	
	2015	2014	2013	2012
Property Valuations:				
Land	\$ 66,282,373	\$ 41,715,926	\$ 23,141,446	\$ 6,095,027
Improvements	188,157,998	76,260,350	10,868,305	
Personal Property	2,385,198	897,050	400,695	99,840
Exemptions	(15,052,100)	(5,987,630)	(5,020,455)	(295,794)
Total Property Valuations	\$ 241,773,469	\$ 112,885,696	\$ 29,389,991	\$ 5,899,073
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.7825	\$ 0.959	\$ 1.20	\$ 1.20
Debt service tax rates	0.4175	0.241		
Total Tax Rates per \$100 Valuation	\$ 1.2000	\$ 1.200	\$ 1.20	\$ 1.20
Adjusted Tax Levy:	\$ 2,901,282	\$ 1,354,628	\$ 352,680	\$ 70,789
Percentage of Taxes Collected to Taxes Levied **	99.59%	100.00%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 14, 2011

** 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. 433
 TSI-5. Long-Term Debt Service Requirements
 Series 2014--by Years
 August 31, 2016*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2017	\$ 150,000	\$ 321,400	\$ 471,400
2018	150,000	317,650	467,650
2019	175,000	313,900	488,900
2020	175,000	309,525	484,525
2021	200,000	305,150	505,150
2022	225,000	299,650	524,650
2023	250,000	292,900	542,900
2024	275,000	284,900	559,900
2025	300,000	275,825	575,825
2026	325,000	265,625	590,625
2027	350,000	254,250	604,250
2028	375,000	241,300	616,300
2029	400,000	226,863	626,863
2030	425,000	210,863	635,863
2031	450,000	193,438	643,438
2032	475,000	174,875	649,875
2033	500,000	154,688	654,688
2034	550,000	133,438	683,438
2035	600,000	109,375	709,375
2036	625,000	83,125	708,125
2037	625,000	55,781	680,781
2038	650,000	28,438	678,438
	<u>\$ 8,250,000</u>	<u>\$ 4,852,959</u>	<u>\$ 13,102,959</u>

See accompanying auditors' report.

*Harris County Municipal Utility District No. 433
 TSI-5. Long-Term Debt Service Requirements
 Series 2015--by Years
 August 31, 2016*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2017	\$ 175,000	\$ 211,556	\$ 386,556
2018	200,000	204,556	404,556
2019	200,000	196,556	396,556
2020	200,000	190,556	390,556
2021	200,000	184,556	384,556
2022	200,000	178,556	378,556
2023	200,000	172,556	372,556
2024	200,000	166,556	366,556
2025	200,000	160,556	360,556
2026	200,000	154,556	354,556
2027	225,000	148,556	373,556
2028	225,000	141,806	366,806
2029	250,000	135,056	385,056
2030	250,000	127,244	377,244
2031	275,000	119,118	394,118
2032	275,000	109,838	384,838
2033	300,000	100,556	400,556
2034	300,000	90,056	390,056
2035	300,000	79,556	379,556
2036	300,000	69,056	369,056
2037	325,000	58,182	383,182
2038	350,000	46,400	396,400
2039	930,000	33,712	963,712
	<u>\$ 6,280,000</u>	<u>\$ 3,079,696</u>	<u>\$ 9,359,696</u>

See accompanying auditors' report.

*Harris County Municipal Utility District No. 433
 TSI-5. Long-Term Debt Service Requirements
 Series 2015A Road--by Years
 August 31, 2016*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2017	\$ 25,000	\$ 374,638	\$ 399,638
2018	25,000	373,638	398,638
2019	300,000	372,638	672,638
2020	325,000	360,638	685,638
2021	350,000	347,638	697,638
2022	350,000	333,638	683,638
2023	375,000	319,638	694,638
2024	400,000	304,638	704,638
2025	400,000	292,638	692,638
2026	425,000	280,638	705,638
2027	425,000	267,888	692,888
2028	450,000	254,606	704,606
2029	475,000	239,418	714,418
2030	475,000	222,794	697,794
2031	500,000	205,576	705,576
2032	525,000	187,450	712,450
2033	550,000	167,762	717,762
2034	575,000	149,200	724,200
2035	600,000	126,200	726,200
2036	625,000	102,200	727,200
2037	630,000	77,200	707,200
2038	650,000	52,000	702,000
2039	650,000	26,000	676,000
	<u>\$ 10,105,000</u>	<u>\$ 5,438,674</u>	<u>\$ 15,543,674</u>

See accompanying auditors' report.

*Harris County Municipal Utility District No. 433
 TSI-5. Long-Term Debt Service Requirements
 Series 2016 --by Years
 August 31, 2016*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2017	\$ 115,000	\$ 133,700	\$ 248,700
2018	120,000	131,400	251,400
2019	120,000	129,000	249,000
2020	125,000	126,600	251,600
2021	130,000	124,100	254,100
2022	135,000	121,176	256,176
2023	145,000	118,138	263,138
2024	150,000	114,512	264,512
2025	155,000	110,576	265,576
2026	160,000	106,506	266,506
2027	165,000	101,706	266,706
2028	175,000	96,756	271,756
2029	180,000	91,506	271,506
2030	190,000	86,106	276,106
2031	195,000	80,168	275,168
2032	205,000	74,076	279,076
2033	210,000	67,668	277,668
2034	220,000	60,844	280,844
2035	230,000	53,418	283,418
2036	240,000	45,656	285,656
2037	245,000	37,256	282,256
2038	255,000	28,682	283,682
2039	265,000	19,756	284,756
2040	280,000	10,150	290,150
	<u>\$ 4,410,000</u>	<u>\$ 2,069,456</u>	<u>\$ 6,479,456</u>

See accompanying auditors' report.

*Harris County Municipal Utility District No. 433
 TSI-5. Long-Term Debt Service Requirements
 All Bonded Debt Series--by Years
 August 31, 2016*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2017	\$ 465,000	\$ 1,041,294	\$ 1,506,294
2018	495,000	1,027,244	1,522,244
2019	795,000	1,012,094	1,807,094
2020	825,000	987,319	1,812,319
2021	880,000	961,444	1,841,444
2022	910,000	933,020	1,843,020
2023	970,000	903,232	1,873,232
2024	1,025,000	870,606	1,895,606
2025	1,055,000	839,595	1,894,595
2026	1,110,000	807,325	1,917,325
2027	1,165,000	772,400	1,937,400
2028	1,225,000	734,468	1,959,468
2029	1,305,000	692,843	1,997,843
2030	1,340,000	647,007	1,987,007
2031	1,420,000	598,300	2,018,300
2032	1,480,000	546,239	2,026,239
2033	1,560,000	490,674	2,050,674
2034	1,645,000	433,538	2,078,538
2035	1,730,000	368,549	2,098,549
2036	1,790,000	300,037	2,090,037
2037	1,825,000	228,419	2,053,419
2038	1,905,000	155,520	2,060,520
2039	1,845,000	79,468	1,924,468
2040	280,000	10,150	290,150
	<u>\$ 29,045,000</u>	<u>\$ 15,440,785</u>	<u>\$ 44,485,785</u>

See accompanying auditors' report.

Harris County Municipal Utility District No. 433
TSI-6. Change in Long-Term Bonded Debt
August 31, 2016

	Bond Issue				Totals
	Series 2014	Series 2015	Series 2015A Road	Series 2016	
Interest rate	2.50% - 4.375%	3.0% - 4.0%	3.0% - 4.0%	2.0% - 3.625%	
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1	
Maturity dates	9/1/14 - 9/1/38	9/1/15 - 9/1/39	9/1/15 - 9/1/39	9/1/16 - 9/1/40	
Beginning bonds outstanding	\$ 8,375,000	\$ 6,455,000	\$ 10,130,000	\$ -	\$ 24,960,000
Bonds issued				4,575,000	4,575,000
Bonds retired	(125,000)	(175,000)	(25,000)	(165,000)	(490,000)
Ending bonds outstanding	<u>\$ 8,250,000</u>	<u>\$ 6,280,000</u>	<u>\$ 10,105,000</u>	<u>\$ 4,410,000</u>	<u>\$ 29,045,000</u>
Interest paid during fiscal year	<u>\$ 324,526</u>	<u>\$ 218,556</u>	<u>\$ 375,638</u>	<u>\$ 91,333</u>	<u>\$ 1,010,053</u>
Paying agent's name and city	Bank of Texas, N.A., Austin, Texas				
Series 2014, 2015 and 2015A	BOKF, NA, Austin, Texas				
Series 2016	BOKF, NA, Austin, Texas				
Bond Authority:	Water, Sewer and Drainage Bonds	Parks and Recreational Facilities	Road Bonds		
Amount Authorized by Voters	\$ 200,000,000	\$ 20,000,000	\$ 15,000,000		
Amount Issued	(19,780,000)		(10,155,000)		
Remaining To Be Issued	<u>\$ 180,220,000</u>	<u>\$ 20,000,000</u>	<u>\$ 4,845,000</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 August 31, 2016:	<u>\$ 898,660</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 1,853,574</u>

See accompanying auditors' report.

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Harris County Municipal Utility District No. 433
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2016	2015	2014	2013	2012
Revenues					
Water service	\$ 449,260	\$ 325,569	\$ 232,213	\$ 94,940	\$ 663
Sewer service	341,586	257,377	144,154	45,449	216
Property taxes	2,071,377	1,101,573	363,641	117,658	52,471
Penalties and interest	14,471	14,119	18,905	2,529	971
Tap connection and inspection	411,570	379,745	510,300	378,685	56,750
Surface Water	540,637	321,625	239,265	105,727	522
Miscellaneous	19,537	25,899	15,110	3,017	
Investment earnings	4,565	1,005	207		11
Total Revenues	<u>3,853,003</u>	<u>2,426,912</u>	<u>1,523,795</u>	<u>748,005</u>	<u>111,604</u>
Expenditures					
Current service operations					
Joint water plant	720,783	427,855	300,105	137,437	
Professional fees	151,542	196,318	145,898	72,188	73,318
Contracted services	593,396	526,924	506,842	269,326	46,342
Repairs and maintenance	662,884	280,311	297,404	343,642	43,078
Utilities	42,873	19,796	13,808	3,239	
Administrative	55,096	44,763	42,333	18,985	20,038
Other	4,936	4,901	6,764	1,144	
Capital outlay		122,464	23,100		60,798
Total Expenditures	<u>2,231,510</u>	<u>1,623,332</u>	<u>1,336,254</u>	<u>845,961</u>	<u>243,574</u>
Revenues Over/(Under) Expenditures	<u>\$ 1,621,493</u>	<u>\$ 803,580</u>	<u>\$ 187,541</u>	<u>\$ (97,956)</u>	<u>\$ (131,970)</u>
Total Active Retail Water Connections	<u>1,047</u>	<u>876</u>	<u>601</u>	<u>255</u>	<u>24</u>
Total Active Retail Wastewater Connections	<u>996</u>	<u>836</u>	<u>568</u>	<u>237</u>	<u>18</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2016	2015	2014	2013	2012
12%	13%	15%	13%	1%
9%	11%	9%	6%	*
53%	45%	24%	16%	47%
*	1%	1%	*	1%
11%	16%	33%	51%	51%
14%	13%	17%	14%	*
1%	1%	1%	*	
*	*	*		*
<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
19%	18%	3%	18%	
4%	8%	10%	10%	66%
15%	22%	33%	36%	42%
17%	12%	20%	46%	39%
1%	1%	1%	*	
1%	2%	3%	3%	18%
*	*	*	*	
	5%	2%		54%
<u>57%</u>	<u>68%</u>	<u>72%</u>	<u>113%</u>	<u>219%</u>
<u>43%</u>	<u>32%</u>	<u>28%</u>	<u>(13%)</u>	<u>(119%)</u>

Harris County Municipal Utility District No. 433
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Three Fiscal Years

	Amounts		
	2016	2015	2014
Revenues			
Property taxes	\$ 1,013,102	\$ 270,562	\$ -
Penalties and interest	10,689	5,529	
Accrued interest on bonds sold	4,567	21,931	26,595
Investment earnings	4,688	573	77
Total Revenues	<u>1,033,046</u>	<u>298,595</u>	<u>26,672</u>
Expenditures			
Tax collection services	36,376	20,464	
Debt service			
Principal	490,000	300,000	100,000
Interest and fees	1,011,552	534,338	137,563
Total Expenditures	<u>1,537,928</u>	<u>854,802</u>	<u>237,563</u>
Revenues Under Expenditures	<u>\$ (504,882)</u>	<u>\$ (556,207)</u>	<u>\$ (210,891)</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues		
2016	2015	2014
99%	91%	
1%	2%	
*	7%	100%
*	*	*
100%	100%	100%
4%	7%	
47%	100%	375%
98%	179%	516%
149%	286%	891%
(49%)	(186%)	(791%)

Harris County Municipal Utility District No. 433
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended August 31, 2016

Complete District Mailing Address: 1301 McKinney, Suite 5100, Houston, TX 77010

District Business Telephone Number: (713) 651-3613

Submission Date of the most recent District Registration Form

(TWC Sections 36.054 and 49.054): September 15, 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
Board Members				
Clark Martinson	05/14 - 05/18	\$ 1,650	\$ 245	President
Scott Forbes	05/16 - 05/20	1,950	1,537	Vice President
Debbie Watson-Hartline	05/14 - 05/18	1,350		Secretary
Walter Doyle	05/16 - 05/20	1,350	1,558	Assistant Secretary
Taylor Cavnar	05/14 - 05/18	1,800	355	Treasurer
Landon K. Overby	04/14 - 03/16	600	79	Former Director
Amounts Paid				
Consultants				
Norton Rose Fulbright, LLP	02/15	\$ 195,753		Attorney
Severn Trent Services, Inc.	02/06	704,393		Operator
Avanta Services	02/06	42,302		Bookkeeper
Tax Tech, Inc.	02/08	12,733		Tax Collector
Harris County Appraisal District	Legislation	18,651		Property Valuation
Brown & Gay Engineers, Inc.	02/06	325,141		Engineer
McGrath & Co., PLLC	Annual	22,850		Auditor
Public Finance Group, LLC	02/06	132,896		Financial Advisor
Perdue, Brandon, Fielder, Collins & Mott, LLP	03/14	1,414		Delinquent Tax Attorney

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