

**KLEINWOOD MUNICIPAL UTILITY DISTRICT**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**MARCH 31, 2016**



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Kleinwood Municipal Utility District  
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Kleinwood Municipal Utility District (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 28, 2016



**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2016**

Management's discussion and analysis of Kleinwood Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the 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 Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes other supplementary information in addition to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

The first of the government-wide 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 the 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 two governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating 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.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
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 and deferred outflows exceeded liabilities by \$4,150,912 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 following is a comparative analysis of government-wide changes in net position:

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2016**

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

	<u>Summary of Changes in the Statement of Net Position</u>		
	2016	2015	Change Positive (Negative)
Current and Other Assets	\$ 7,709,862	\$ 7,659,263	\$ 50,599
Capital Assets (Net of Accumulated Depreciation)	<u>9,993,232</u>	<u>10,042,816</u>	<u>(49,584)</u>
Total Assets	<u>\$ 17,703,094</u>	<u>\$ 17,702,079</u>	<u>\$ 1,015</u>
Deferred Outflows of Resources	<u>\$ 128,505</u>	<u>\$ -0-</u>	<u>\$ 128,505</u>
Bonds Payable	\$ 12,863,890	\$ 13,400,494	\$ 536,604
Other Liabilities	<u>816,797</u>	<u>487,789</u>	<u>(329,008)</u>
Total Liabilities	<u>\$ 13,680,687</u>	<u>\$ 13,888,283</u>	<u>\$ 207,596</u>
Net Position:			
Net Investment in Capital Assets	\$ (3,027,094)	\$ (3,357,678)	\$ 330,584
Restricted	1,992,095	1,817,378	174,717
Unrestricted	<u>5,185,911</u>	<u>5,354,096</u>	<u>(168,185)</u>
Total Net Position	<u>\$ 4,150,912</u>	<u>\$ 3,813,796</u>	<u>\$ 337,116</u>

The following table provides a summary of the District's operations for the years ended March 31, 2016, and March 31, 2015.

	<u>Summary of Changes in the Statement of Activities</u>		
	2016	2015	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,464,520	\$ 1,467,399	\$ (2,879)
Charges for Services	1,161,828	1,251,255	(89,427)
Other Revenues	<u>405,066</u>	<u>373,901</u>	<u>31,165</u>
Total Revenues	<u>\$ 3,031,414</u>	<u>\$ 3,092,555</u>	<u>\$ (61,141)</u>
Expenses for Services	<u>2,694,298</u>	<u>2,458,023</u>	<u>(236,275)</u>
Change in Net Position	\$ 337,116	\$ 634,532	\$ (297,416)
Net Position, Beginning of Year	<u>3,813,796</u>	<u>3,179,264</u>	<u>634,532</u>
Net Position, End of Year	<u>\$ 4,150,912</u>	<u>\$ 3,813,796</u>	<u>\$ 337,116</u>

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
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, was \$5,875,832, a decrease of \$64,403 from the prior fiscal year.

The General Fund fund balance decreased by \$127,816, primarily due to operating expenditures exceeding operating revenues and tax revenues.

The Debt Service Fund fund balance increased by \$63,413, primarily due to the structure of the District's outstanding debt and issuance of the Series 2015 Refunding Bonds.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$99,818 less than budgeted revenues primarily due to lower than expected property tax revenues. Actual expenditures were \$76,805 more than budgeted expenditures primarily due to higher than expected maintenance and repair costs and professional fees.

**CAPITAL ASSETS**

Capital assets as of March 31, 2016, total \$9,993,232 (net of accumulated depreciation) and also include land, buildings and equipment as well as the water and wastewater systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2016	2015	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,526,486	\$ 1,526,486	\$
Construction in Progress	293,746	110,412	183,334
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Equipment	246,532	257,612	(11,080)
Water System	4,110,626	4,218,509	(107,883)
Wastewater System	3,815,842	3,929,797	(113,955)
Total Net Capital Assets	\$ 9,993,232	\$ 10,042,816	\$ (49,584)

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
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 bonds payable of \$12,559,992. The changes in bonds payable during the year ended March 31, 2016, are summarized as follows:

Bond Debt Payable, April 1, 2015	\$ 13,194,996
Add: Bond Sale	3,689,996
Less: Bond Principal Paid/Refunded	<u>4,325,000</u>
Bond Debt Payable, March 31, 2016	<u>\$ 12,559,992</u>

The District carries an underlying rating of "A2". The District's Series 2011 and 2012 bonds carry an insured rating of "A2" by virtue of bond insurance issued by Assured Guaranty Municipal Corporation. The District's Series 2014 and 2015 bonds carry an insured rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The above ratings reflect any rating changes during the year ended March 31, 2016.

**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 Kleinwood Municipal Utility District, c/o Coats Rose, P.C., 9 Greenway Plaza, Suite 1100, Houston, TX 77046.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
MARCH 31, 2016**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS</b>		
Cash	\$ 136,860	\$ 148,299
Investments	3,959,924	1,878,523
Receivables:		
Property Taxes	14,140	42,558
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$750)	91,107	
Sales Taxes	65,967	
Due from Other Funds	8,367	
Regional Water Authority Capital Contributions		
Chloramination Credit Receivable		
Prepaid Costs	48,858	
Operating Advance	17,473	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 4,342,696</b>	<b>\$ 2,069,380</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 4,342,696</b>	<b>\$ 2,069,380</b>

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



<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 285,159	\$	\$ 285,159
5,838,447		5,838,447
56,698		56,698
	10,787	10,787
91,107		91,107
65,967		65,967
8,367	(8,367)	
	1,014,720	1,014,720
	280,646	280,646
48,858		48,858
17,473		17,473
	1,526,486	1,526,486
	293,746	293,746
	8,173,000	8,173,000
<u>\$ 6,412,076</u>	<u>\$ 11,291,018</u>	<u>\$ 17,703,094</u>
<u>\$ -0-</u>	<u>\$ 128,505</u>	<u>\$ 128,505</u>
<u>\$ 6,412,076</u>	<u>\$ 11,419,523</u>	<u>\$ 17,831,599</u>

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

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
MARCH 31, 2016**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 350,245	\$
Accrued Interest Payable		
Due to Other Funds		8,367
Due to Taxpayers		19,028
Security Deposits	101,906	
Accrued Interest on Compound Interest Bonds		
Long-term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	\$ 452,151	\$ 27,395
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 14,140	\$ 42,558
 <b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 48,858	\$
Operating Advance	17,473	
Restricted for Debt Service		1,999,427
Assigned to 2017 Budget Deficit	378,093	
Unassigned	3,431,981	
<b>TOTAL FUND BALANCES</b>	\$ 3,876,405	\$ 1,999,427
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	\$ 4,342,696	\$ 2,069,380
 <b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 350,245	\$	\$ 350,245
	60,677	60,677
8,367	(8,367)	
19,028		19,028
101,906		101,906
	284,941	284,941
	730,000	730,000
	12,133,890	12,133,890
<u>\$ 479,546</u>	<u>\$ 13,201,141</u>	<u>\$ 13,680,687</u>
<u>\$ 56,698</u>	<u>\$ (56,698)</u>	<u>\$ - 0 -</u>
\$ 48,858	\$ (48,858)	\$
17,473	(17,473)	
1,999,427	(1,999,427)	
378,093	(378,093)	
<u>3,431,981</u>	<u>(3,431,981)</u>	
<u>\$ 5,875,832</u>	<u>\$ (5,875,832)</u>	<u>\$ - 0 -</u>
<u>\$ 6,412,076</u>		
	\$ (3,027,094)	\$ (3,027,094)
	1,992,095	1,992,095
	5,185,911	5,185,911
	<u>\$ 4,150,912</u>	<u>\$ 4,150,912</u>

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

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
MARCH 31, 2016**

Total Fund Balances - Governmental Funds	\$	5,875,832
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Long-term receivables are recorded in the Statement of Net Position.		1,295,366
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		9,993,232
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Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		128,505
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Deferred tax revenues and penalty and interest receivable on delinquent taxes for the 2015 and prior tax levies became part of recognized revenue in the governmental activities of the District.		67,485
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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	\$ (345,618)	
Bonds Payable	<u>(12,863,890)</u>	<u>(13,209,508)</u>

Total Net Position - Governmental Activities	\$	<u><u>4,150,912</u></u>
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The accompanying notes to the financial statements are an integral part of this report.

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**KLEINWOOD MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 350,211	\$ 1,111,137
Water Service	411,346	
Wastewater Service	221,994	
Regional Water Authority Fees	454,127	
Penalty and Interest	9,524	9,107
Tap Connection and Inspection Fees	54,228	
Water Authority Credits	110,246	
Sales Tax Revenues	311,936	
Miscellaneous Revenues	21,677	2,140
<b>TOTAL REVENUES</b>	<b>\$ 1,945,289</b>	<b>\$ 1,122,384</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 265,339	\$ 6,935
Contracted Services	85,395	37,933
Purchased Services	456,305	
Purchased Wastewater Service	91,489	
Utilities	77,340	
Regional Water Authority Pumpage Fees	142,928	
Repairs and Maintenance	416,657	
Depreciation		
Other	296,315	7,186
Capital Outlay	241,337	
Debt Service:		
Bond Principal		635,000
Bond Interest		378,463
Bond Issuance Costs		152,629
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 2,073,105</b>	<b>\$ 1,218,146</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<b>\$ (127,816)</b>	<b>\$ (95,762)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from Sale of Refunding Bonds	\$	\$ 3,689,996
Payment to Refunded Bond Escrow Agent		(3,740,960)
Bond Premium		210,139
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ -0-</b>	<b>\$ 159,175</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (127,816)</b>	<b>\$ 63,413</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - APRIL 1, 2015</b>	<b>4,004,221</b>	<b>1,936,014</b>
<b>FUND BALANCES/NET POSITION - MARCH 31, 2016</b>	<b>\$ 3,876,405</b>	<b>\$ 1,999,427</b>

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 1,461,348	\$ 3,172	\$ 1,464,520
411,346		411,346
221,994		221,994
454,127		454,127
18,631	1,502	20,133
54,228		54,228
110,246	(40,933)	69,313
311,936		311,936
23,817		23,817
<u>\$ 3,067,673</u>	<u>\$ (36,259)</u>	<u>\$ 3,031,414</u>
\$ 272,274	\$	\$ 272,274
123,328		123,328
456,305		456,305
91,489		91,489
77,340		77,340
142,928		142,928
416,657	58,003	474,660
	232,918	232,918
303,501		303,501
241,337	(241,337)	
635,000	(635,000)	
378,463	(11,537)	366,926
152,629		152,629
<u>\$ 3,291,251</u>	<u>\$ (596,953)</u>	<u>\$ 2,694,298</u>
<u>\$ (223,578)</u>	<u>\$ 560,694</u>	<u>\$ 337,116</u>
\$ 3,689,996	\$ (3,689,996)	\$
(3,740,960)	3,740,960	
210,139	(210,139)	
<u>\$ 159,175</u>	<u>\$ (159,175)</u>	<u>\$ -0-</u>
\$ (64,403)	\$ 64,403	\$
	337,116	337,116
<u>5,940,235</u>	<u>(2,126,439)</u>	<u>3,813,796</u>
<u>\$ 5,875,832</u>	<u>\$ (1,724,920)</u>	<u>\$ 4,150,912</u>

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

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
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	\$ (64,403)
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.	3,172
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.	1,502
Governmental funds report repayment of capital contributions as revenues in the period received. However, in the Statement of Net Position, repayments reduce long-term receivables.	(40,933)
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.	(232,918)
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.	183,334
Governmental funds report bond premiums as other financing sources in the year paid. However, in the Statement of Net Position, the bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(210,139)
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.	635,000
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.	11,537
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(3,689,996)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.	<u>3,740,960</u>
Change in Net Position - Governmental Activities	<u>\$ 337,116</u>

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



**KLEINWOOD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2016**

**NOTE 1. CREATION OF DISTRICT**

Kleinwood Municipal Utility District, Harris County, Texas, was created by order of the Texas Water Rights Commission dated May 3, 1972. The Board of Directors held its first meeting on February 2, 1973, and the first bonds were sold on November 3, 1975. The District was created to provide water and sewer services and drainage to property within the boundaries of the District.

**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.

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.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2016**

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

Financial Statement Presentation (Continued)

- 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.

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 two governmental funds and considers each to be a major fund.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2016**

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

Governmental Funds (Continued)

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

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.

Property taxes considered available by the District and included in revenue include taxes collected during the period and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or use. 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. As of March 31, 2016, the Debt Service Fund owed the General Fund \$8,367 comprised of \$2,927 for maintenance tax collections and \$5,440 for Series 2015 refunding bond issuance costs.

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.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 MARCH 31, 2016**

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

Capital Assets (Continued)

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 \$5,000 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
All Other Equipment	5-20

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

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

Measurement Focus

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

**KLEINWOOD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2016**

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

Measurement Focus (Continued)

*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.

*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. The District assigned \$378,093 of the General Fund fund balance to cover the budgeted 2017 deficit.

*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.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2016**

**NOTE 3. LONG-TERM DEBT**

	<u>Refunding Series 2011</u>	<u>Refunding Series 2012</u>
Amount Outstanding – March 31, 2016	\$ 2,645,000	\$ 3,730,000
Interest Rates	2.00% - 4.00%	1.50% - 4.00%
Maturity Dates – Serially Beginning/Ending	August 1, 2016/2022	August 1, 2016/2029
Interest Payment Dates	August 1/ February 1	August 1/ February 1
Callable Dates	August 1, 2018*	August 1, 2020*
	<u>Refunding Series 2014</u>	
	<u>Current Interest</u>	<u>Compound Interest</u>
Amount Outstanding – March 31, 2016	\$ 2,280,000	\$ 214,996
Interest Rates	2.00% - 3.50%	4.10%
Maturity Dates – Serially Beginning/Ending	August 1, 2016/2028	August 1, 2029
Interest Payment Dates	August 1/ February 1	At Maturity
Callable Dates	August 1, 2022*	N/A*

\* Or any date thereafter at a price of par plus unpaid accrued interest to the date fixed for redemption. For the Series 2007 bond issue, the bonds maturing August 1, 2029, are term bonds and subject to mandatory redemption beginning August 1, 2027. For the Series 2011 bond issue, the bonds maturing August 1, 2022, are term bonds and subject to mandatory redemption beginning August 1, 2021. For the Series 2012 bond issue, the bonds maturing August 1, 2014, 2016, 2018, 2026, and 2028, are term bonds and are subject to mandatory redemption beginning August 1, 2012, 2015, 2017, 2025, and 2027, respectively. For the Series 2014 bond issue, the bonds maturing August 1, 2024, are term bonds and are subject to mandatory redemption beginning August 1, 2023. The par value of the Series 2014 Refunding compound interest bonds is \$214,996 and the maturity value is \$555,000. At March 31, 2016, the accreted value of these bonds is \$321,244, which includes accrued interest of \$106,248. Interest on these bonds will be paid at maturity.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2016**

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

	Refunding Series 2015	
	Current Interest	Compound Interest
Amount Outstanding – March 31, 2016	\$ 3,180,000	\$ 509,996
Interest Rates	2.00% - 3.00%	3.75%
Maturity Dates – Serially Beginning/Ending	August 1, 2016/2029	August 1, 2030
Interest Payment Dates	August 1/ February 1	At Maturity
Callable Dates	August 1, 2023*	N/A*

\* Or any date thereafter at a price of par plus unpaid accrued interest to the date fixed for redemption. The par value of the Series 2015 Refunding Compound Interest bonds is \$509,996 and the maturity value is \$1,180,000. At March 31, 2016, the accreted value of these bonds is \$688,689, which includes accrued interest of \$178,693. Interest on these bonds will be paid at maturity.

The following is a summary of transactions regarding bonds payable for the year ended March 31, 2016:

	April 1, 2015	Additions	Retirements	March 31, 2016
Bonds Payable	\$ 13,194,996	\$ 3,689,996	\$ 4,325,000	\$ 12,559,992
Unamortized Discounts	(83,950)		(83,950)	
Unamortized Premiums	289,448	35,936	21,486	303,898
Bonds Payable, Net	\$ 13,400,494	\$ 3,725,932	\$ 4,262,536	\$ 12,863,890
		Amount Due Within One Year		\$ 730,000
		Amount Due After One Year		12,133,890
		Bonds Payable, Net		\$ 12,863,890

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

Fiscal Year	Principal	Interest	Total
2017	\$ 730,000	\$ 356,800	\$ 1,086,800
2018	720,000	341,675	1,061,675
2019	740,000	325,050	1,065,050
2020	765,000	305,737	1,070,737
2021	785,000	284,174	1,069,174
2022-2026	4,420,000	1,015,657	5,435,657
2027-2031	4,399,992	1,231,234	5,631,226
	\$ 12,559,992	\$ 3,860,327	\$ 16,420,319

**KLEINWOOD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2016**

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

As of March 31, 2016, the District had authorized but unissued bonds in the amount of \$19,355,000 for facilities and \$8,719,861 for refunding purposes. 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 and are further payable from net operating revenues.

During the year ended March 31, 2016, the District levied an ad valorem debt service tax rate of \$0.327 per \$100 of assessed valuation, which resulted in a tax levy of \$1,111,788 on the adjusted taxable valuation of \$339,997,607 for the 2015 tax year. The bond orders require 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. The District's tax calendar is as follows:

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

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

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to each nationally recognized municipal securities information depository and 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 collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the



**KLEINWOOD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2016**

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

Deposits (Continued)

carrying amount of the District’s deposits was \$285,159 and the bank balance was \$224,375. The District was not exposed to custodial credit risk at year-end.

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

	Cash
GENERAL FUND	\$ 136,860
DEBT SERVICE FUND	148,299
TOTAL DEPOSITS	\$ 285,159

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, (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

**KLEINWOOD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2016**

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

Investments (Continued)

agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

All investments are recorded at cost, which the District considers to be fair value. The District invests in TexPool and TexSTAR, external investment pools that are not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool. Federated Investors, Inc. manages the daily operations of TexPool under a contract with the Comptroller. First Southwest Asset Management, Inc., and JPMorgan Chase manage the daily operations of TexSTAR. The fair values of the District's positions in the pools is the same as the values of pool shares.

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

<u>Fund and Investment Type</u>	<u>Fair Value</u>	<u>Maturities - Less Than 1</u>
<u>GENERAL FUND</u>		
TexPool	\$ 2,907,957	\$ 2,907,957
TexStar	1,051,967	1,051,967
<u>DEBT SERVICE FUND</u>		
TexPool	1,365,292	1,365,292
TexStar	513,231	513,231
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 5,838,447</u></b>	<b><u>\$ 5,838,447</u></b>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2016, the District's investments in TexPool and TexSTAR were rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and TexSTAR to have maturities of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there have been significant changes in values.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2016**

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

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.

**NOTE 6. CAPITAL ASSETS**

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

	April 1, 2015	Increases	Decreases	March 31, 2016
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 1,526,486	\$	\$	\$ 1,526,486
Construction in Progress	<u>110,412</u>	<u>241,337</u>	<u>58,003</u>	<u>293,746</u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 1,636,898</u>	<u>\$ 241,337</u>	<u>\$ 58,003</u>	<u>\$ 1,820,232</u>
<b>Capital Assets Subject to Depreciation</b>				
Buildings and Equipment	\$ 455,067	\$	\$	\$ 455,067
Water System	5,785,027			5,785,027
Wastewater System	<u>5,032,944</u>			<u>5,032,944</u>
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 11,273,038</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 11,273,038</u>
<b>Accumulated Depreciation</b>				
Building and Equipment	\$ 197,455	\$ 11,080	\$	\$ 208,535
Water System	1,566,518	107,883		1,674,401
Wastewater System	<u>1,103,147</u>	<u>113,955</u>		<u>1,217,102</u>
<b>Total Accumulated Depreciation</b>	<u>\$ 2,867,120</u>	<u>\$ 232,918</u>	<u>\$ - 0 -</u>	<u>\$ 3,100,038</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 8,405,918</u>	<u>\$ (232,918)</u>	<u>\$ - 0 -</u>	<u>\$ 8,173,000</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 10,042,816</u>	<u>\$ 8,419</u>	<u>\$ 58,003</u>	<u>\$ 9,993,232</u>

**NOTE 7. MAINTENANCE TAX**

On December 4, 1974, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.25 per \$100 of assessed valuation. During the year ended March 31, 2016, the District levied an ad valorem maintenance tax rate of \$0.103 per \$100 of assessed valuation, which resulted in a tax levy of \$350,196 on the adjusted taxable valuation of \$339,997,607 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.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2016**

**NOTE 8. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**

The District is located within the boundaries of the North Harris County Regional Water Authority (the “Authority”). The Authority’s purpose is to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority charges \$2.00 per 1,000 gallons of water pumped from each well. The Authority also charges a surface water fee of \$2.45 per 1,000 gallons. During the current fiscal year, the District incurred costs totaling \$142,928 for pumpage fees and \$417,603 for purchased surface water.

Capital Contribution Receivable

The District entered into a Capital Contribution Contract with the Authority in which the District paid \$1,213,095 to the Authority. During the current fiscal year, the District received credits of \$88,406 including a return of principal of \$36,090. Future repayments of capital contributions are as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 37,958	\$ 50,448	\$ 88,406
2018	39,923	48,483	88,406
2019	41,990	46,416	88,406
2020	44,163	44,243	88,406
2021	46,450	41,956	88,406
2022-2026	270,902	171,128	442,030
2027-2031	348,661	93,369	442,030
2032-2034	184,673	10,899	195,572
	<u>\$ 1,014,720</u>	<u>\$ 506,943</u>	<u>\$ 1,521,663</u>

Chloramine Conversion Reimbursement

The Authority required the District to convert its water systems to chloramine disinfection for as long as it is connected to the Authority’s system. The District has completed its chloramine conversion system which included reimbursable costs of \$300,627. The Authority calculated the reimbursement at 6% interest over a 30-year period. The District began receiving chloramine conversion credits on its March, 2011 Authority billing. Total credits earned in the current fiscal year were \$21,840. Of this amount, \$4,843 was a return of principal with the balance being applicable to interest. The following is a schedule of the remaining chloramine conversion credits to be received under the terms of the agreement.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2016**

**NOTE 8. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**  
(Continued)

Fiscal Year	Principal	Interest	Total
2017	\$ 5,141	\$ 16,699	\$ 21,840
2018	5,458	16,382	21,840
2019	5,795	16,045	21,840
2020	6,153	15,688	21,840
2021	6,532	15,308	21,840
2022-2026	39,224	69,977	109,201
2027-2031	51,455	57,746	109,201
2032-2036	68,809	40,392	109,201
2037-2041	92,079	16,701	108,779
	<u>\$ 280,646</u>	<u>\$ 264,938</u>	<u>\$ 545,584</u>

**NOTE 9. STRATEGIC PARTNERSHIP AGREEMENT**

Effective December 1, 2010, 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 City imposes a sales and use tax within the boundaries of the Subject Tract at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays the District an amount equal to one-half of all sales and use tax revenues generated within the boundaries of the Subject Tract. During the year ended March 31, 2016, the District recorded revenues of \$311,936 from the City of Houston including \$65,967 which was receivable at year end.

**NOTE 10. KLEINWOOD JOINT POWERS BOARD**

The District is a participant in a joint wastewater treatment plant which provides treatment of wastewater for the following entities: Kleinwood MUD, Cy-Champ PUD, Harris County WCID 114, Klein ISD, Cypress Forest PUD and Louetta North PUD. The operating expenses of the Plant are allocated to the districts based on their number of connections. Capital costs are paid by each participant based on their ownership interest in the Plant. The District’s capacity ownership is 15%.

The cost of the plant has been capitalized by each district based upon their percentage of ownership. Operating expenses of \$139,463 were incurred by the District for the year ended March 31, 2016. Summary financial activities of the regional wastewater treatment plant for the year ended May 31, 2015, are as follows:

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2016**

**NOTE 10. KLEINWOOD JOINT POWERS BOARD (Continued)**

Total Assets	\$ 205,785
Total Liabilities	<u>89,298</u>
Total Fund Balance	<u>\$ 116,487</u>
Total Revenues	\$ 994,223
Total Expenditures	<u>994,223</u>
Net Change in Fund Balance	\$ -0-
Fund Balance – June 1, 2014	<u>116,487</u>
Fund Balance – May 31, 2015	<u>\$ 116,487</u>

**NOTE 11. WATER SUPPLY AND WASTE DISPOSAL AGREEMENTS**

On December 9, 1982, the District entered into a contract with Cypress Forest Public Utility District (Cypress Forest) to provide water and sanitary sewer services to an 8-acre tract within the District’s boundaries. The term of the contract is 40 years and may be renewed on a year-to-year basis after that date. Any party may terminate the contract by giving a one-year written notice of termination. The District pays Cypress Forest an amount equal to 70% of the ad valorem taxes collected on the tract by March 1 of each year during the contract.

On March 18, 1987, the District entered into a contract with Harris County Municipal Utility District. No. 24 (District No. 24) to provide water and sanitary sewer services to a 13-acre tract within the District’s boundaries. The term of the contract is 40 years and may be renewed on a year-to-year basis after that date. Any party may terminate the contract by giving one year written notice of termination. The District pays District No. 24 an amount equal to 70% of the ad valorem taxes collected on the tract by March 1 of each year during the contract.

**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 natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 13. REFUNDING BOND SALE**

On November 30, 2015, the District issued its \$3,689,996 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2015 to refund the remaining balance of the Series 2007 bonds totaling \$3,690,000 with maturities of August 1, 2016 through 2030, interest rates of 4.00% to 4.20%, and a redemption date of December 1, 2015. The refunding resulted in gross savings of \$253,534 and net present value savings of \$211,033.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**MARCH 31, 2016**





**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
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)
<b>REVENUES</b>			
Property Taxes	\$ 450,000	\$ 350,211	\$ (99,789)
Water Service	455,000	411,346	(43,654)
Wastewater Service	220,000	221,994	1,994
Regional Water Authority Fees	525,000	454,127	(70,873)
Penalty and Interest	15,000	9,524	(5,476)
Tap Connection and Inspection Fees	15,000	54,228	39,228
Water Authority Credits	88,907	110,246	21,339
Sales Tax Revenues	264,000	311,936	47,936
Miscellaneous Revenues	12,200	21,677	9,477
<b>TOTAL REVENUES</b>	<u>\$ 2,045,107</u>	<u>\$ 1,945,289</u>	<u>\$ (99,818)</u>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 225,000	\$ 265,339	\$ (40,339)
Contracted Services	93,800	85,395	8,405
Purchased Services/Pumpage Fees	657,000	599,233	57,767
Purchased Wastewater Service	190,000	91,489	98,511
Utilities	84,200	77,340	6,860
Repairs and Maintenance	197,300	416,657	(219,357)
Other	271,000	296,315	(25,315)
Capital Outlay	278,000	241,337	36,663
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,996,300</u>	<u>\$ 2,073,105</u>	<u>\$ (76,805)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 48,807	\$ (127,816)	\$ (176,623)
<b>FUND BALANCE - APRIL 1, 2015</b>	<u>4,004,221</u>	<u>4,004,221</u>	<u>                    </u>
<b>FUND BALANCE - MARCH 31, 2016</b>	<u>\$ 4,053,028</u>	<u>\$ 3,876,405</u>	<u>\$ (176,623)</u>

See accompanying independent auditor's report.

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**KLEINWOOD MUNICIPAL UTILITY DISTRICT**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**

**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**MARCH 31, 2016**





**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
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	
≤ <sup>3</sup> / <sub>4</sub> "	<u>740</u>	<u>735</u>	x 1.0	<u>735</u>
1"	<u>63</u>	<u>62</u>	x 2.5	<u>155</u>
1½"	<u>26</u>	<u>26</u>	x 5.0	<u>130</u>
2"	<u>45</u>	<u>44</u>	x 8.0	<u>352</u>
3"	<u>5</u>	<u>5</u>	x 15.0	<u>75</u>
4"	<u>2</u>	<u>2</u>	x 25.0	<u>50</u>
6"	<u>2</u>	<u>2</u>	x 50.0	<u>100</u>
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>883</u></u>	<u><u>876</u></u>		<u><u>1,597</u></u>
Total Wastewater Connections	<u><u>835</u></u>	<u><u>828</u></u>	x 1.0	<u><u>828</u></u>

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

Gallons pumped into system:	62,050,000	Water Accountability Ratio: 95% (Gallons billed/Gallons pumped)
Gallons billed to customers:	229,640,000	
Gallons purchased:	177,150,000	From: <u>North Harris County Regional Water Authority</u>
Gallons purchased:	2,100,000	From: <u>Cypress Klein Utility District</u>

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
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 X

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes X No \_\_\_\_\_

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely \_\_\_\_\_ Partly \_\_\_\_\_ Not at all X

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

Entirely X Partly \_\_\_\_\_ Not at all \_\_\_\_\_

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes \_\_\_\_\_ No X

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2016**

PROFESSIONAL FEES:	
Auditing	\$ 11,000
Engineering	123,747
Legal	130,592
TOTAL PROFESSIONAL FEES	<u>\$ 265,339</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Surface Water	\$ 417,603
Purchased Wastewater Service	91,489
Purchased Services from Other Districts	38,702
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 547,794</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 18,225
Operations and Billing	67,170
TOTAL CONTRACTED SERVICES	<u>\$ 85,395</u>
UTILITIES:	
Electricity	\$ 69,935
Telephone	7,405
TOTAL UTILITIES	<u>\$ 77,340</u>
REPAIRS AND MAINTENANCE	<u>\$ 416,657</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 13,200
Election Costs	240
Insurance	26,329
Office Supplies and Postage	18,719
Payroll Taxes	1,010
Travel and Meetings	2,059
Other	21,905
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 83,462</u>
CAPITAL OUTLAY	<u>\$ 241,337</u>
TAP CONNECTIONS	<u>\$ 54,100</u>
SECURITY	<u>\$ 115,992</u>
OTHER EXPENDITURES:	
Chemicals	\$ 13,444
Laboratory Fees	3,757
Permit Fees	1,901
Reconnection Fees	3,390
Inspection Fees	16,802
Regional Water Authority Pumpage Fees	142,928
Regulatory Assessment	3,467
TOTAL OTHER EXPENDITURES	<u>\$ 185,689</u>
TOTAL EXPENDITURES	<u><u>\$ 2,073,105</u></u>

See accompanying independent auditor's report.



**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
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>					
Texpool	XXXX0003	Varies	Daily	\$ 2,907,957	\$
TexStar	XXXX1110	Varies	Daily	<u>1,051,967</u>	<u>                    </u>
TOTAL GENERAL FUND				<u>\$ 3,959,924</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
Texpool	XXXX0001	Varies	Daily	\$ 1,365,292	\$
TexStar	XXXX0230	Varies	Daily	<u>513,231</u>	<u>                    </u>
TOTAL DEBT SERVICE FUND				<u>\$ 1,878,523</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 5,838,447</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED MARCH 31, 2016**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
APRIL 1, 2015	\$ 13,576		\$ 39,950	
Adjustments to Beginning				
Balance	<u>579</u>	\$ 14,155	<u>1,957</u>	\$ 41,907
Original 2015 Tax Levy	\$ 317,128		\$ 1,006,804	
Adjustment to 2015 Tax Levy	<u>33,068</u>	<u>350,196</u>	<u>104,984</u>	<u>1,111,788</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 364,351		\$ 1,153,695
TAX COLLECTIONS:				
Prior Years	\$ 7,048		\$ 21,678	
Current Year	<u>343,163</u>	<u>350,211</u>	<u>1,089,459</u>	<u>1,111,137</u>
TAXES RECEIVABLE -				
MARCH 31, 2016		<u>\$ 14,140</u>		<u>\$ 42,558</u>
TAXES RECEIVABLE BY				
YEAR:				
2015		\$ 7,033		\$ 22,329
2014		2,178		6,648
2013		1,137		3,684
2012		1,231		3,694
2011		1,135		2,871
2010		249		621
2009		521		1,226
2008		324		762
2007		161		359
2006		<u>171</u>		<u>364</u>
TOTAL		<u>\$ 14,140</u>		<u>\$ 42,558</u>

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
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	\$ 95,522,665	\$ 90,288,659	\$ 80,139,920	\$ 78,028,692
Improvements	327,826,034	305,147,776	279,576,898	266,827,524
Personal Property	20,377,403	19,638,055	19,208,661	19,409,811
Exemptions	<u>(103,728,495)</u>	<u>(101,910,464)</u>	<u>(96,134,032)</u>	<u>(92,365,763)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 339,997,607</u>	<u>\$ 313,164,026</u>	<u>\$ 282,791,447</u>	<u>\$ 271,900,264</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.327	\$ 0.354	\$ 0.405	\$ 0.420
Maintenance	<u>0.103</u>	<u>0.116</u>	<u>0.125</u>	<u>0.140</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.430</u>	<u>\$ 0.470</u>	<u>\$ 0.530</u>	<u>\$ 0.560</u>
ADJUSTED TAX LEVY*	<u>\$ 1,461,984</u>	<u>\$ 1,471,865</u>	<u>\$ 1,498,789</u>	<u>\$ 1,525,163</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>97.99 %</u>	<u>99.40 %</u>	<u>99.68 %</u>	<u>99.68 %</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 \$0.25 per \$100 of assessed valuation approved by voters on December 4, 1974.

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
MARCH 31, 2016**

S E R I E S - 2 0 1 1 R			
Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total
2017	\$ 520,000	\$ 67,975	\$ 587,975
2018	530,000	56,812	586,812
2019	545,000	44,037	589,037
2020	250,000	33,475	283,475
2021	260,000	25,662	285,662
2022	265,000	16,300	281,300
2023	275,000	5,500	280,500
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
	\$ 2,645,000	\$ 249,761	\$ 2,894,761

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
MARCH 31, 2016**

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

Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total
2017	\$ 15,000	\$ 130,112	\$ 145,112
2018	15,000	129,850	144,850
2019	15,000	129,550	144,550
2020	330,000	124,450	454,450
2021	335,000	114,475	449,475
2022	360,000	105,850	465,850
2023	360,000	95,050	455,050
2024	635,000	75,150	710,150
2025	665,000	49,150	714,150
2026	185,000	32,150	217,150
2027	190,000	24,650	214,650
2028	205,000	17,775	222,775
2029	210,000	11,550	221,550
2030	210,000	4,200	214,200
2031			
	<u>\$ 3,730,000</u>	<u>\$ 1,043,962</u>	<u>\$ 4,773,962</u>

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
MARCH 31, 2016**

S E R I E S - 2 0 1 4 R			
Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total
2017	\$ 20,000	\$ 77,925	\$ 97,925
2018	20,000	77,525	97,525
2019	20,000	77,125	97,125
2020	20,000	76,725	96,725
2021	20,000	76,300	96,300
2022	20,000	75,775	95,775
2023	25,000	75,100	100,100
2024	85,000	73,238	158,238
2025	80,000	70,350	150,350
2026	460,000	60,900	520,900
2027	480,000	44,450	524,450
2028	505,000	27,213	532,213
2029	525,000	9,188	534,188
2030	214,996	340,004	555,000
2031			
	\$ 2,494,996	\$ 1,161,818	\$ 3,656,814

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
MARCH 31, 2016**

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

Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total
2017	\$ 175,000	\$ 80,788	\$ 255,788
2018	155,000	77,488	232,488
2019	160,000	74,338	234,338
2020	165,000	71,087	236,087
2021	170,000	67,737	237,737
2022	160,000	64,438	224,438
2023	170,000	61,137	231,137
2024	175,000	57,469	232,469
2025	180,000	52,800	232,800
2026	320,000	45,300	365,300
2027	325,000	35,625	360,625
2028	335,000	25,725	360,725
2029	340,000	15,600	355,600
2030	350,000	5,250	355,250
2031	509,996	670,004	1,180,000
	<u>\$ 3,689,996</u>	<u>\$ 1,404,786</u>	<u>\$ 5,094,782</u>

See accompanying independent auditor's report.

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**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
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	\$ 730,000	\$ 356,800	\$ 1,086,800
2018	720,000	341,675	1,061,675
2019	740,000	325,050	1,065,050
2020	765,000	305,737	1,070,737
2021	785,000	284,174	1,069,174
2022	805,000	262,363	1,067,363
2023	830,000	236,787	1,066,787
2024	895,000	205,857	1,100,857
2025	925,000	172,300	1,097,300
2026	965,000	138,350	1,103,350
2027	995,000	104,725	1,099,725
2028	1,045,000	70,713	1,115,713
2029	1,075,000	36,338	1,111,338
2030	774,996	349,454	1,124,450
2031	509,996	670,004	1,180,000
	<u>\$ 12,559,992</u>	<u>\$ 3,860,327</u>	<u>\$ 16,420,319</u>

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
CHANGE IN LONG-TERM BOND DEBT  
FOR THE YEAR ENDED MARCH 31, 2016**

Description	Original Bonds Issued	Bonds Outstanding April 1, 2015
Kleinwood Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2007	\$ 4,125,000	\$ 3,785,000
Kleinwood Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2011	4,625,000	3,150,000
Kleinwood Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2012	3,780,000	3,745,000
Kleinwood Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2014	2,544,996	2,514,996
Kleinwood Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2015	<u>3,689,996</u>	
<b>TOTAL</b>	<u>\$ 21,309,992</u>	<u>\$ 13,194,996</u>
	<u>Tax and Revenue Bonds</u>	<u>Refunding Bonds</u>
Bond Authority:		
Amount Authorized by Voters	\$ 39,310,000	\$ 11,455,000
Amount Issued	<u>19,955,000</u>	<u>2,735,139</u>
Remaining to be Issued	<u>\$ 19,355,000</u>	<u>\$ 8,719,861</u>
Debt Service Fund cash and investment balances as of March 31, 2016:		<u>\$ 2,026,822</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u><u>\$ 1,094,688</u></u>

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding March 31, 2016</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 3,785,000	\$ 77,590	\$ -0-	Wells Fargo Bank, N.A. Houston, TX
	505,000	78,225	2,645,000	Wells Fargo Bank, N.A. Houston, TX
	15,000	130,338	3,730,000	Wells Fargo Bank, N.A. Dallas, TX
	20,000	78,325	2,494,996	Wells Fargo Bank, N.A. Minneapolis, MN
<u>3,689,996</u>		<u>13,985</u>	<u>3,689,996</u>	Wells Fargo Bank, N.A. Minneapolis, MN
<u>\$ 3,689,996</u>	<u>\$ 4,325,000</u>	<u>\$ 378,463</u>	<u>\$ 12,559,992</u>	

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
GENERAL FUND – FIVE YEARS**

	Amounts		
	2016	2015	2014
<b>REVENUES</b>			
Property Taxes	\$ 350,211	\$ 357,277	\$ 355,405
Water Service	411,346	434,344	476,819
Wastewater Service	221,994	223,166	223,115
Regional Water Authority Fee	454,127	461,095	502,219
Penalty and Interest	9,524	10,507	13,066
Tap Connection and Inspection Fees	54,228	111,944	122,064
Water Authority Credits	110,246	110,246	110,246
Sales Tax Revenues	311,936	286,773	205,865
Miscellaneous Revenues	21,677	15,155	5,204
<b>TOTAL REVENUES</b>	<b>\$ 1,945,289</b>	<b>\$ 2,010,507</b>	<b>\$ 2,014,003</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 265,339	\$ 210,899	\$ 276,849
Contracted Services	85,395	86,730	82,018
Purchased Services	456,305	482,597	296,635
Purchased Wastewater Service	91,489	138,013	193,006
Utilities	77,340	66,058	60,806
Repairs and Maintenance	416,657	220,631	152,380
Regional Water Authority Pumpage Fees	142,928	131,966	217,546
Other	296,315	251,598	421,178
Capital Outlay	241,337	110,412	578,449
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,073,105</b>	<b>\$ 1,698,904</b>	<b>\$ 2,278,867</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (127,816)</b>	<b>\$ 311,603</b>	<b>\$ (264,864)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In(Out)	\$	\$	\$ 207,059
Developer Advances			52,226
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ 259,285</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (127,816)</b>	<b>\$ 311,603</b>	<b>\$ (5,579)</b>
<b>BEGINNING FUND BALANCE</b>	<b>4,004,221</b>	<b>3,692,618</b>	<b>3,698,197</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 3,876,405</b>	<b>\$ 4,004,221</b>	<b>\$ 3,692,618</b>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2013	2012	2016	2015	2014	2013	2012
\$ 390,407	\$ 465,830	18.1 %	17.7 %	17.6 %	19.6 %	20.5 %
477,897	566,552	21.1	21.6	23.7	24.0	24.9
216,127	218,986	11.4	11.1	11.1	10.8	9.6
520,201	568,725	23.3	22.9	24.9	26.1	24.9
11,322	17,338	0.5	0.5	0.6	0.6	0.8
117,283	193,024	2.8	5.6	6.1	5.9	8.5
110,246	110,246	5.7	5.5	5.5	5.5	4.8
129,156	46,556	16.0	14.3	10.2	6.5	2.0
20,850	92,234	1.1	0.8	0.3	1.0	4.0
<u>\$ 1,993,489</u>	<u>\$ 2,279,491</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 306,789	\$ 147,823	13.6 %	10.5 %	13.7 %	15.4 %	6.5 %
67,499	72,568	4.4	4.3	4.1	3.4	3.2
294,896	518,378	23.5	24.0	14.7	14.8	22.7
209,539	159,124	4.7	6.9	9.6	10.5	7.0
77,845	76,233	4.0	3.3	3.0	3.9	3.3
198,355	175,732	21.4	11.0	7.6	10.0	7.7
306,211	541,666	7.3	6.6	10.8	15.4	23.8
331,334	128,807	15.2	12.5	20.9	16.6	5.7
48,070	41,480	12.4	5.5	28.7	2.4	1.8
<u>\$ 1,840,538</u>	<u>\$ 1,861,811</u>	<u>106.5 %</u>	<u>84.6 %</u>	<u>113.1 %</u>	<u>92.4 %</u>	<u>81.7 %</u>
\$ 152,951	\$ 417,680	<u>(6.5) %</u>	<u>15.4 %</u>	<u>(13.1) %</u>	<u>7.6 %</u>	<u>18.3 %</u>
\$ 84,536	\$ 84,717					
	175,794					
<u>\$ 84,536</u>	<u>\$ 260,511</u>					
\$ 237,487	\$ 678,191					
<u>3,460,710</u>	<u>2,782,519</u>					
<u>\$ 3,698,197</u>	<u>\$ 3,460,710</u>					

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
DEBT SERVICE FUND – FIVE YEARS**

	Amounts		
	2016	2015	2014
<b>REVENUES</b>			
Property Taxes	\$ 1,111,137	\$ 1,090,704	\$ 1,163,017
Penalty and Interest	9,107	7,462	8,525
Miscellaneous Revenues	2,140	602	1,963
<b>TOTAL REVENUES</b>	<b>\$ 1,122,384</b>	<b>\$ 1,098,768</b>	<b>\$ 1,173,505</b>
<b>EXPENDITURES</b>			
Other Expenditures	\$ 50,204	\$ 49,912	\$ 32,658
Debt Service Principal	635,000	635,000	575,000
Debt Service Interest and Fees	380,313	424,790	499,852
Bond Issuance Costs	152,629	130,363	
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,218,146</b>	<b>\$ 1,240,065</b>	<b>\$ 1,107,510</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (95,762)</b>	<b>\$ (141,297)</b>	<b>\$ 65,995</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	\$	\$	\$
Proceeds from Sale of Refunding Bonds	3,689,996	2,544,996	
Payment to Refunded Bond Escrow Agent	(3,740,960)	(2,588,225)	
Bond Premium	210,139	169,151	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 159,175</b>	<b>\$ 125,922</b>	<b>\$ - 0 -</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 63,413</b>	<b>\$ (15,375)</b>	<b>\$ 65,995</b>
<b>BEGINNING FUND BALANCE</b>	<b>1,936,014</b>	<b>1,951,389</b>	<b>1,885,394</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 1,999,427</b>	<b>\$ 1,936,014</b>	<b>\$ 1,951,389</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>876</b>	<b>871</b>	<b>832</b>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>828</b>	<b>825</b>	<b>744</b>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2013	2012	2016	2015	2014	2013	2012
\$ 1,301,541	\$ 1,177,943	99.0 %	99.2 %	99.1 %	98.4 %	98.8 %
16,942	12,591	0.8	0.7	0.7	1.3	1.1
4,047	1,778	0.2	0.1	0.2	0.3	0.1
<u>\$ 1,322,530</u>	<u>\$ 1,192,312</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 41,926	\$ 33,442	4.5 %	4.5 %	2.8 %	3.2 %	2.8 %
765,000	460,000	56.6	57.8	49.0	57.8	38.6
674,899	620,745	33.9	38.7	42.6	51.0	52.1
		13.6	11.9			
<u>\$ 1,481,825</u>	<u>\$ 1,114,187</u>	<u>108.6 %</u>	<u>112.9 %</u>	<u>94.4 %</u>	<u>112.0 %</u>	<u>93.5 %</u>
<u>\$ (159,295)</u>	<u>\$ 78,125</u>	<u>(8.6) %</u>	<u>(12.9) %</u>	<u>5.6 %</u>	<u>(12.0) %</u>	<u>6.5 %</u>
\$	\$ (535,420)					
	8,405,000					
	(8,263,548)					
	<u>(141,452)</u>					
<u>\$ - 0 -</u>	<u>\$ (535,420)</u>					
\$ (159,295)	\$ (457,295)					
2,044,689	2,501,984					
<u>\$ 1,885,394</u>	<u>\$ 2,044,689</u>					
827	807					
797	774					

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
MARCH 31, 2016**

District Mailing Address - Kleinwood Municipal Utility District  
Coats Rose, P.C.  
9 Greenway Plaza, Suite 1100  
Houston, TX 77046

District Telephone Number - (713) 651-0111

<b>Board Members</b>	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
Sherry Allard	05/13 05/17 (Elected)	\$ 2,550	\$ 1,155	President
Robert Ehmann	05/13 05/17 (Elected)	\$ 3,300	\$ 527	Vice President
David Guerrero	05/15 05/19 (Elected)	\$ 1,200	\$ -0-	Secretary/ Treasurer
Jeff Gobbell	05/15 05/19 (Elected)	\$ 2,400	\$ -0-	Assistant Vice President/ Assistant Secretary
Joseph Fratangelo	05/15 05/19 (Elected)	\$ 3,750	\$ 377	Assistant Secretary

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): May 28, 2015.

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). Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.



**KLEINWOOD MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
MARCH 31, 2016**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended March 31, 2016</u>	<u>Title</u>
Coats Rose, P.C.	07/24/80	\$ 130,832 \$ 36,001	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	08/30/77	\$ 13,250	Auditor
Claudia Redden & Associates, LLC	02/28/78	\$ 24,872	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/25/02	\$ 6,934	Delinquent Tax Attorney
Jones & Carter, Inc.	02/22/79	\$ 179,903	Engineer
Blich Associates, Inc.	03/11/97	\$ 29,001	Financial Advisor
Environmental Development Partners	04/11/08	\$ 451,495	Operator
Wheeler & Associates	12/17/75	\$ 30,573	Tax Assessor/ Collector

See accompanying independent auditor's report.

