

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

AUGUST 31, 2015

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148

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ANNUAL FINANCIAL REPORT

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McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

111 Congress Avenue
Suite 400
Austin, Texas 78701
(512) 610-2209
www.mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 148
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. 148 (the "District"), as of and for the year ended August 31, 2015, 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 August 31, 2015, 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 are not a required part of the basic financial statements. The supplementary information is the responsibility of management and were derived from and related 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, have 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.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015**

Our discussion and analysis of Harris County Municipal Utility District No. 148's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2015. 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. This information is found in the Statement of Net Position column. This is the District-wide statement of position presenting information that includes all of the District's assets and liabilities, 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 three 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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015**

FUND FINANCIAL STATEMENTS (Continued)

assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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 explains the differences between the two presentations and assists 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 of resources exceeded liabilities by \$9,742,889 as of August 31, 2015.

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

The following is a comparative analysis of the Statement of Net Position as of August 31, 2015, and August 31, 2014:

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	2015	2014	Change Positive (Negative)
Current and Other Assets	\$ 5,230,082	\$ 5,264,090	\$ (34,008)
Capital Assets (Net of Accumulated Depreciation)	<u>16,530,181</u>	<u>16,996,439</u>	<u>(466,258)</u>
Total Assets	<u>\$ 21,760,263</u>	<u>\$ 22,260,529</u>	<u>\$ (500,266)</u>
Deferred Outflows of Resources	<u>\$ 442,788</u>	<u>\$ 158,236</u>	<u>\$ 284,552</u>
Due to Developer	\$ 602,670	\$ 602,670	\$
Bonds Payable	11,343,698	11,800,923	457,225
Other Liabilities	<u>513,794</u>	<u>788,982</u>	<u>275,188</u>
Total Liabilities	<u>\$ 12,460,162</u>	<u>\$ 13,192,575</u>	<u>\$ 732,413</u>
Net Position:			
Net Investment in Capital Assets	\$ 6,890,543	\$ 6,669,299	\$ 221,244
Restricted	1,593,758	1,693,430	(99,672)
Unrestricted	<u>1,258,588</u>	<u>863,461</u>	<u>395,127</u>
Total Net Position	<u>\$ 9,742,889</u>	<u>\$ 9,226,190</u>	<u>\$ 516,699</u>

The following table provides a summary of the District's operations for the years ended August 31, 2015, and August 31, 2014. The District's net position increased by \$516,699, or 5.6%.

	<u>Summary of Changes in the Statement of Activities</u>		
	2015	2014	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,085,799	\$ 1,054,130	\$ 31,669
Charges for Services	1,510,953	1,410,850	100,103
Other Revenues	<u>47,767</u>	<u>45,218</u>	<u>2,549</u>
Total Revenues	<u>\$ 2,644,519</u>	<u>\$ 2,510,198</u>	<u>\$ 134,321</u>
Expenses for Services	<u>2,127,820</u>	<u>2,790,515</u>	<u>662,695</u>
Change in Net Position	\$ 516,699	\$ (280,317)	\$ 797,016
Net Position, Beginning of Year	<u>9,226,190</u>	<u>9,506,507</u>	<u>(280,317)</u>
Net Position, End of Year	<u>\$ 9,742,889</u>	<u>\$ 9,226,190</u>	<u>\$ 516,699</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of August 31, 2015, were \$4,754,376, an increase of \$126,486 from the prior year.

The General Fund fund balance increased by \$397,257, primarily due to tax and service revenues exceeding operating expenditures.

The Debt Service Fund fund balance decreased by \$219,405, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$51,366 due to capital outlay paid from bond funds received in the current and prior years.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$150,754 more than budgeted revenues primarily due to more property taxes, service fees and tap connection fees than budgeted. Actual expenditures were \$89,341 less than budgeted expenditures primarily due to less engineering related to special projects than budgeted.

CAPITAL ASSETS

Capital assets as of August 31, 2015, total \$16,530,181 (net of accumulated depreciation), and include land, buildings and equipment as well as the water, wastewater and drainage systems. Major capital asset activity during the current year included the following projects:

- Water plant additions
- Sanitary Sewer rehabilitation

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015**

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2015	2014	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 533,559	\$ 533,559	\$
Construction in Progress	81,670	1,883,013	(1,801,343)
Capital Assets, Net of Accumulated Depreciation:			
Water System	4,062,899	3,445,287	617,612
Wastewater System	8,213,706	7,372,620	841,086
Drainage System	3,097,038	3,205,177	(108,139)
Building and Improvements	541,309	556,783	(15,474)
Total Net Capital Assets	\$ 16,530,181	\$ 16,996,439	\$ (466,258)

LONG-TERM DEBT ACTIVITY

As of August 31, 2015, the District had total bond debt payable of \$11,550,000. The changes in the debt position of the District during the current fiscal year are summarized as follows:

Bond Debt Payable, September 1, 2014	\$ 12,020,000
Add: Series 2009B Installments	215,000
Less: Bond Principal Paid	685,000
Bond Debt Payable, August 31, 2015	\$ 11,550,000

The District received installments of \$215,000 from the Series 2009B bonds during the fiscal year. As of the fiscal year end, the District has received all of the available \$2,710,000. The District's bonds carry an underlying rating of "BBB-" by Standard and Poor's. The District's Series 2013 Refunding bonds have an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corporation. The above ratings are as of August 31, 2015.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 148, c/o Strawn & Richardson PC 6750 West Loop South, Suite 865, Bellaire, Texas 77401-4103.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
AUGUST 31, 2015

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 520,212	\$ 1,680,159
Investments	1,064,856	
Receivables:		
Property Taxes	11,915	37,339
Penalty and Interest on Delinquent Taxes		17,268
Service Accounts	185,502	
Due from Other Funds		1,787
Prepaid Costs		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 1,782,485	\$ 1,736,553
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,782,485	\$ 1,736,553

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 1,679,120	\$ 3,879,491	\$	\$ 3,879,491
	1,064,856		1,064,856
	49,254		49,254
	17,268		17,268
	185,502		185,502
167,287	169,074	(169,074)	
		33,711	33,711
		533,559	533,559
		81,670	81,670
		15,914,952	15,914,952
<u>\$ 1,846,407</u>	<u>\$ 5,365,445</u>	<u>\$ 16,394,818</u>	<u>\$ 21,760,263</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 442,788</u>	<u>\$ 442,788</u>
<u>\$ 1,846,407</u>	<u>\$ 5,365,445</u>	<u>\$ 16,837,606</u>	<u>\$ 22,203,051</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
AUGUST 31, 2015

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 113,172	\$ 2,151
Accrued Interest Payable		
Due to Developers		
Due to Other Funds	169,074	
Due to Taxpayers		2,323
Security Deposits	241,651	
Long Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 523,897	\$ 4,474
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 11,915	\$ 37,339
Penalty and Interest on Delinquent Taxes		17,268
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 11,915	\$ 54,607
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		1,677,472
Unassigned	1,246,673	
TOTAL FUND BALANCES	\$ 1,246,673	\$ 1,677,472
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,782,485	\$ 1,736,553
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 16,176	\$ 131,499	\$	\$ 131,499
		138,321	138,321
		602,670	602,670
	169,074	(169,074)	
	2,323		2,323
	241,651		241,651
		905,000	905,000
		10,438,698	10,438,698
<u>\$ 16,176</u>	<u>\$ 544,547</u>	<u>\$ 11,915,615</u>	<u>\$ 12,460,162</u>
\$	\$ 49,254	\$ (49,254)	\$
	17,268	(17,268)	
<u>\$ -0-</u>	<u>\$ 66,522</u>	<u>\$ (66,522)</u>	<u>\$ -0-</u>
\$ 1,830,231	\$ 1,830,231	\$ (1,830,231)	\$
	1,677,472	(1,677,472)	
	1,246,673	(1,246,673)	
<u>\$ 1,830,231</u>	<u>\$ 4,754,376</u>	<u>\$ (4,754,376)</u>	<u>\$ - 0 -</u>
<u>\$ 1,846,407</u>	<u>\$ 5,365,445</u>		
		\$ 6,890,543	\$ 6,890,543
		1,593,758	1,593,758
		1,258,588	1,258,588
		<u>\$ 9,742,889</u>	<u>\$ 9,742,889</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2015**

Total Fund Balances - Governmental Funds \$ 4,754,376

Amounts reported for governmental activities in the Statement of Net Position are different because:

Deferred charges on refunded bonds are amortized over the original remaining life of the old debt or the life of the new debt, whichever is less. 442,788

Prepaid bond insurance is amortized over the repayment term of the bonds. 33,711

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 16,530,181

Deferred tax revenues and deferred penalty and interest revenues on delinquent taxes for the 2014 and prior tax levies became part of recognized revenue in the governmental activities of the District. 66,522

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (602,670)	
Accrued Interest Payable	(138,321)	
Bonds Payable	<u>(11,343,698)</u>	<u>(12,084,689)</u>

Total Net Position - Governmental Activities \$ 9,742,889

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED AUGUST 31, 2015

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 286,963	\$ 813,455
Water Service	501,997	
Wastewater Service	516,386	
City of Houston GRP Fees	306,148	
Penalty and Interest	95,595	25,679
Tap Connection and Inspection Fees	75,950	
Miscellaneous Revenues	42,370	2,929
TOTAL REVENUES	\$ 1,825,409	\$ 842,063
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 177,045	\$ 10,206
Contracted Services	356,195	31,320
Purchased Water Service	277,921	
Utilities	78,459	
Repairs and Maintenance	220,748	
Depreciation		
Other	307,059	3,654
Capital Outlay	10,725	
Debt Service:		
Bond Principal		685,000
Bond Interest		331,288
TOTAL EXPENDITURES/EXPENSES	\$ 1,428,152	\$ 1,061,468
EXCESS (DEFICIENCY) OF REVENUES OVER		
EXPENDITURES/EXPENSES	\$ 397,257	\$ (219,405)
OTHER FINANCING SOURCES (USES)		
Bond Proceeds	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 397,257	\$ (219,405)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
SEPTEMBER 1, 2014	849,416	1,896,877
FUND BALANCES/NET POSITION -		
AUGUST 31, 2015	\$ 1,246,673	\$ 1,677,472

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,100,418	\$ (14,619)	\$ 1,085,799
	501,997		501,997
	516,386		516,386
	306,148		306,148
	121,274	(10,802)	110,472
	75,950		75,950
2,468	47,767		47,767
<u>\$ 2,468</u>	<u>\$ 2,669,940</u>	<u>\$ (25,421)</u>	<u>\$ 2,644,519</u>
\$	\$ 187,251	\$	\$ 187,251
7,725	395,240		395,240
	277,921		277,921
	78,459		78,459
	220,748		220,748
		592,820	592,820
272	310,985		310,985
115,837	126,562	(126,562)	
	685,000	(685,000)	
	331,288	(266,892)	64,396
<u>\$ 123,834</u>	<u>\$ 2,613,454</u>	<u>\$ (485,634)</u>	<u>\$ 2,127,820</u>
<u>\$ (121,366)</u>	<u>\$ 56,486</u>	<u>\$ 460,213</u>	<u>\$ 516,699</u>
<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>\$ (70,000)</u>	<u>\$ -0-</u>
<u>\$ (51,366)</u>	<u>\$ 126,486</u>	<u>\$ (126,486)</u>	<u>\$</u>
		516,699	516,699
<u>1,881,597</u>	<u>4,627,890</u>	<u>4,598,300</u>	<u>9,226,190</u>
<u>\$ 1,830,231</u>	<u>\$ 4,754,376</u>	<u>\$ 4,988,513</u>	<u>\$ 9,742,889</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

Net Change in Fund Balances - Governmental Funds	\$	126,486
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.		(14,619)
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.		(10,802)
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.		(592,820)
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.		126,562
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.		685,000
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.		266,892
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		<u>(70,000)</u>
Change in Net Position - Governmental Activities	\$	<u><u>516,699</u></u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 148 of Harris County, Texas (the “District”) was created effective December 20, 1976, by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The District’s Board of Directors held its first meeting on October 13, 1977, and the first bonds were sold on November 10, 1978.

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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

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

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

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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

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

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

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

Basis of Accounting

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

Basis of Accounting

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$20,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

Budgeting

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

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service determined that directors are considered to be “employees” for federal 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

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 has no assigned balances.

Unassigned: all other spendable amounts in the General Fund or deficits in other funds.

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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 3. LONG-TERM DEBT

	<u>Series 2009A</u>	<u>Series 2009B</u>
Amount Outstanding - August 31, 2015	\$ 2,330,000	\$ 2,320,000
Interest Rates	1.00%	2.45% - 4.70%
Maturity Dates – Serially Beginning/Ending	April 1, 2016/2031	April 1, 2016/2031
Interest Payment Dates	October 1/April 1	October 1/April 1
Callable Dates	April 1, 2020*	April 1, 2020*

	<u>Series 2012</u>	<u>Series 2013 Refunding</u>
Amount Outstanding - August 31, 2015	\$ 3,450,000	\$ 3,450,000
Interest Rates	2.25% - 4.00%	2.00% - 3.00%
Maturity Dates – Serially Beginning/Ending	April 1, 2016/2018, April 1, 2027/2035	October 1, 2015/2026
Interest Payment Dates	October 1/April 1	October 1/April 1
Callable Dates	April 1, 2020*	April 1, 2021*

* Or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2012 term bonds maturing April 1, 2028, April 1, 2030, April 1, 2032, and April 1, 2035 are subject to mandatory redemption beginning on April 1, 2027, April 1, 2029, April 1, 2031, and April 1, 2033, respectively.

The following is a summary of transactions regarding bonds payable for the year ended August 31, 2015:

	<u>September 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>August 31, 2015</u>
Bonds Payable	\$ 12,020,000	\$ 215,000	\$ 685,000	\$ 11,550,000
Unamortized Discounts	(219,077)		(12,775)	(206,302)
Bonds Payable, Net	<u>\$ 11,800,923</u>	<u>\$ 215,000</u>	<u>\$ 672,225</u>	<u>\$ 11,343,698</u>
			Amount Due Within One Year	\$ 905,000
			Amount Due After One Year	<u>10,438,698</u>
			Bonds Payable, Net	<u>\$ 11,343,698</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 3. LONG-TERM DEBT (Continued)

The District has \$30,685,000 in authorized but unissued bonds for utility facilities and \$18,775,000 authorized but unissued bonds for refunding purposes. Results from a bond election in fiscal year 2007 authorized \$35,700,000 in bonds to be used for either initial issue bonds or refunding bonds.

As of August 31, 2015, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 905,000	\$ 327,420	\$ 1,232,420
2017	545,000	312,634	857,634
2018	565,000	331,766	896,766
2019	340,000	289,737	629,737
2020	585,000	280,678	865,678
2021-2025	3,115,000	1,208,232	4,323,232
2026-2030	2,810,000	751,483	3,561,483
2031-2035	2,685,000	330,880	3,015,880
	<u>\$ 11,550,000</u>	<u>\$ 3,832,830</u>	<u>\$ 15,382,830</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

During the year ended August 31, 2015, the District levied an ad valorem debt service tax rate of \$0.871 per \$100 of assessed valuation, which resulted in a tax levy of \$806,459 on the adjusted taxable valuation of \$92,590,031 for the 2014 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. See Note 7 for the maintenance tax levy.

The District's tax calendar is as follows:

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the state information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five year anniversary of each issue.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$3,879,491 and the bank balance was \$3,911,946. Of the bank balance \$520,654 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third-party depository.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at August 31, 2015, as listed below:

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

	Cash
GENERAL FUND	\$ 520,212
DEBT SERVICE FUND	1,680,159
CAPITAL PROJECTS FUND	1,679,120
TOTAL DEPOSITS	\$ 3,879,491

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 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

All investments are recorded at cost which the District considers to be fair value. The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. The fair value of the District's position in the pool is the same as the value of pool shares.

As of August 31, 2015, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
GENERAL FUND					
TexPool	\$ 1,064,856	\$ 1,064,856	\$ - 0 -	\$ - 0 -	\$ - 0 -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At August 31, 2015, the District's investment in TexPool was 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 investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2015:

	September 1, 2014	Increases	Decreases	August 31, 2015
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 533,559	\$	\$	\$ 533,559
Construction in Progress	<u>1,883,013</u>	<u>126,562</u>	<u>1,927,905</u>	<u>81,670</u>
Total Capital Assets Not Being Depreciated	<u>\$ 2,416,572</u>	<u>\$ 126,562</u>	<u>\$ 1,927,905</u>	<u>\$ 615,229</u>
Capital Assets Subject to Depreciation				
Water System	\$ 4,611,980	\$ 784,993	\$	\$ 5,396,973
Wastewater System	9,008,523	1,142,912		10,151,435
Drainage System	4,866,267			4,866,267
Buildings and Improvements	<u>618,977</u>			<u>618,977</u>
Total Capital Assets Subject to Depreciation	<u>\$ 19,105,747</u>	<u>\$ 1,927,905</u>	<u>\$ - 0 -</u>	<u>\$ 21,033,652</u>
Accumulated Depreciation				
Water System	\$ 1,166,693	\$ 167,381	\$	\$ 1,334,074
Wastewater System	1,635,903	301,826		1,937,729
Drainage System	1,661,090	108,139		1,769,229
Buildings and Improvements	<u>62,194</u>	<u>15,474</u>		<u>77,668</u>
Total Accumulated Depreciation	<u>\$ 4,525,880</u>	<u>\$ 592,820</u>	<u>\$ - 0 -</u>	<u>\$ 5,118,700</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 14,579,867</u>	<u>\$ 1,335,085</u>	<u>\$ - 0 -</u>	<u>\$ 15,914,952</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 16,996,439</u>	<u>\$ 1,461,647</u>	<u>\$ 1,927,905</u>	<u>\$ 16,530,181</u>

NOTE 7. MAINTENANCE TAX

On August 8, 1987, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District. On November 5, 2013, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$0.50 per \$100 of assessed valuation of taxable property within the District. During the year ended August 31, 2015, the District levied an ad valorem maintenance tax rate of \$0.309 per \$100 of assessed valuation, which resulted in an adjusted tax levy of \$286,103 on the adjusted taxable valuation of \$92,590,031 for the 2014 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 8. UNREIMBURSED COSTS

Developers within the District have made expenditures of approximately \$602,670 on behalf of the District in accordance with financing agreements as of August 31, 2015. Reimbursement to the Developers for these projects is contingent upon approval from the Commission and the future sale of bonds.

NOTE 9. INTERFUND PAYABLES AND RECEIVABLES

The General Fund owes the Debt Service Fund \$1,787 for an over-transfer of tax collections and the Capital Projects Fund \$167,287 for bond issuance costs related to Series 2009A and Series 2009B bonds less engineering and inspection costs for waterline improvement projects.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission 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 11. PURCHASED WATER

On January 12, 2010, the District entered into a Treated Water Supply Contract with the City of Houston (the City). Pursuant to this agreement, the District agrees to make monthly payments per thousand gallons of water pumped by the District based on the groundwater pumped rate established by City Ordinances. The minimum monthly quantity for which it must pay, whether taken or not, is 7,000,000 gallons. As of August 31, 2015, the rate charged is \$2.842 per thousand gallons. The District paid \$277,921 in the current fiscal year. The term of this agreement is 40 years.

NOTE 12. ESCROW REQUIREMENTS

The Texas Water Development Board (“TWDB”) required the District to escrow \$2,602,122 of the District’s Series 2009A bonds for wastewater treatment plant rehabilitation. As of August 31, 2015, \$1,334,116 remains in escrow. These funds cannot be expended without prior written authorization from the TWDB and are included in the Capital Projects Fund.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 13. BOND PROCEEDS – SERIES 2009B

On November 19, 2009, the District issued \$2,710,000 in Drinking Water State Revolving Fund Series 2009B, Unlimited Tax Bonds through the TWDB. The proceeds are being used to finance the District's water system improvements. Through August 31, 2015, the District has received installments of \$2,710,000 of Series 2009B Bond proceeds, of which \$215,000 was received in the current fiscal year.

NOTE 14. SHELDON INDEPENDENT SCHOOL DISTRICT

The District entered into a service agreement dated March 24, 2009, with Sheldon Independent School District ("Sheldon") in which the District provides water and sewer services to Sheldon, an out-of-district customer. Sheldon's facilities were designed and constructed solely at Sheldon's cost without prospect for reimbursement by the District. The District charges Sheldon the commercial out-of-district water and sewer rates established in the District's Rate Order. The facilities are maintained and repaired by Sheldon. However, if a repair is not made in a timely manner, the District will make the repair and bill Sheldon. Repair and maintenance of the water meter is the responsibility of the District.

The District and Sheldon entered into additional agreements for the District to provide additional service capacity to Sheldon for the expected growth and new facilities constructed. The agreements include reimbursement from Sheldon of an initial cost to deliver additional capacity as well as an amount paid to the District to pay for a portion of the costs of operation. One agreement dated July 29, 2010, is for capacity of 10,500 gallons per day (GPD) or 34 service units at a total cost of \$244,189 to Sheldon which was recorded as revenue in a prior fiscal year. A separate service agreement dated November 2011 provides for an additional 8 service units at a cost to Sheldon of \$57,456 which was paid in a prior fiscal year. The agreements also state that in subsequent periods, based on major additions to District facilities, there will be additional amounts due to the District based on these additions.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148

REQUIRED SUPPLEMENTARY INFORMATION

AUGUST 31, 2015

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 265,379	\$ 286,963	\$ 21,584
Water Service	459,155	501,997	42,842
Wastewater Service	482,242	516,386	34,144
City of Houston GRP Fees	280,839	306,148	25,309
Penalty and Interest	99,222	95,595	(3,627)
Tap Connection and Inspection Fees	67,607	75,950	8,343
Miscellaneous Revenues	<u>20,211</u>	<u>42,370</u>	<u>22,159</u>
TOTAL REVENUES	<u>\$ 1,674,655</u>	<u>\$ 1,825,409</u>	<u>\$ 150,754</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 156,438	\$ 177,045	\$ (20,607)
Contracted Services	360,690	356,195	4,495
Purchased Water Service	278,207	277,921	286
Utilities	63,789	78,459	(14,670)
Repairs and Maintenance	232,642	220,748	11,894
Other	326,665	307,059	19,606
Capital Outlay	<u>99,062</u>	<u>10,725</u>	<u>88,337</u>
TOTAL EXPENDITURES	<u>\$ 1,517,493</u>	<u>\$ 1,428,152</u>	<u>\$ 89,341</u>
NET CHANGE IN FUND BALANCE	\$ 157,162	\$ 397,257	\$ 240,095
FUND BALANCE - SEPTEMBER 1, 2014	<u>849,416</u>	<u>849,416</u>	<u> </u>
FUND BALANCE - AUGUST 31, 2015	<u>\$ 1,006,578</u>	<u>\$ 1,246,673</u>	<u>\$ 240,095</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
AUGUST 31, 2015

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 2015

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved on March 11, 2014.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 18.00	1,000	N	\$1.60	1,001 to 7,000
				\$2.00	7,001 to 15,000
				\$2.50	15,001 to 20,000
				\$2.75	20,001 to 50,000
				\$3.50	50,001 and up

WASTEWATER:	\$ 26.00	1,000	N	\$ 1.00	1,001 and up
-------------	----------	-------	---	---------	--------------

SURCHARGE:
 Commission Included in rates above.
 Regulatory Assessment
 City of Houston
 GRP fee \$3.19 per 1,000 gallons

District employs winter averaging for wastewater usage? _____ X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$33.60 Wastewater: \$35.00 Surcharge: \$31.90

* Solid waste disposal included.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 2015

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	<u>9</u>	<u>9</u>	x 1.0	<u>9</u>
≤¾"	<u>1,567</u>	<u>1,443</u>	x 1.0	<u>1,443</u>
1"	<u>3</u>	<u>3</u>	x 2.5	<u>8</u>
1½"	<u>3</u>	<u>3</u>	x 5.0	<u>15</u>
2"	<u>4</u>	<u>4</u>	x 8.0	<u>32</u>
3"	<u> </u>	<u> </u>	x 15.0	<u> </u>
4"	<u> </u>	<u> </u>	x 25.0	<u> </u>
6"	<u>3</u>	<u>3</u>	x 50.0	<u>150</u>
8"	<u> </u>	<u> </u>	x 80.0	<u> </u>
10"	<u> </u>	<u> </u>	x 115.0	<u> </u>
Total Water Connections	<u><u>1,589</u></u>	<u><u>1,465</u></u>		<u><u>1,657</u></u>
Total Wastewater Connections	<u><u>1,580</u></u>	<u><u>1,456</u></u>	x 1.0	<u><u>1,456</u></u>

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

Gallons pumped into system:	123,000	Water Accountability Ratio: 99.8% (Gallons billed/Gallons pumped and purchased)
Gallons billed to customers:	102,330,000	
Gallons purchased:	102,401,000	From: <u>City of Houston</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 2015

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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2015

PROFESSIONAL FEES:	
Auditing	\$ 28,000
Engineering	100,346
Legal	<u>48,699</u>
TOTAL PROFESSIONAL FEES	<u>\$ 177,045</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	<u>\$ 277,921</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 34,388
Operations and Billing	<u>33,600</u>
TOTAL CONTRACTED SERVICES	<u>\$ 67,988</u>
UTILITIES:	
Electricity	\$ 63,831
Telephone	<u>14,628</u>
TOTAL UTILITIES	<u>\$ 78,459</u>
REPAIRS AND MAINTENANCE	<u>\$ 220,748</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 28,950
Insurance	17,672
Office Supplies and Postage	58,159
Payroll Taxes and Administration	3,658
Travel and Meetings	29,103
Other	<u>27,984</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 165,526</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2015

CAPITAL OUTLAY	<u>\$ 10,725</u>
TAP CONNECTIONS	<u>\$ 31,457</u>
SOLID WASTE DISPOSAL	<u>\$ 219,856</u>
SECURITY	<u>\$ 68,351</u>
OTHER EXPENDITURES:	
Chemicals	\$ 25,676
Laboratory Fees	15,063
Permit Fees	6,998
Inspection Fees	12,500
Regulatory Assessment	4,863
Sludge Hauling	<u>44,976</u>
TOTAL OTHER EXPENDITURES	<u>\$ 110,076</u>
TOTAL EXPENDITURES	<u>\$ 1,428,152</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
INVESTMENTS
AUGUST 31, 2015

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0003	Varies	Daily	<u>\$ 1,064,856</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2015

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
SEPTEMBER 1, 2014	\$	14,045	\$	49,828
Adjustments to Beginning				
Balance		<u>(1,270)</u>		<u>(5,493)</u>
		\$		\$
		12,775		44,335
Original 2014 Tax Levy	\$	251,307	\$	708,376
Adjustment to 2014 Tax Levy		<u>34,796</u>		<u>98,083</u>
		<u>286,103</u>		<u>806,459</u>
TOTAL TO BE				
ACCOUNTED FOR		\$		\$
		298,878		850,794
TAX COLLECTIONS:				
Prior Years	\$	7,337	\$	25,254
Current Year		<u>279,626</u>		<u>788,201</u>
		<u>286,963</u>		<u>813,455</u>
TAXES RECEIVABLE -				
AUGUST 31, 2015		<u>\$</u>	<u>11,915</u>	<u>\$</u>
				<u>37,339</u>
TAXES RECEIVABLE BY				
YEAR:				
2014		\$	6,477	\$
2013			1,182	18,258
2012			1,045	4,034
2011			968	3,511
2010			589	3,252
2009 and prior			<u>1,654</u>	<u>1,980</u>
				<u>6,304</u>
TOTAL		\$	<u>11,915</u>	\$
				<u>37,339</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2015

	2014	2013	2012	2011
PROPERTY VALUATIONS:				
Land	\$ 27,886,163	\$ 27,266,296	\$ 26,243,052	\$ 25,088,298
Improvements	86,653,993	79,626,539	68,808,519	68,448,274
Personal Property	3,357,594	3,160,257	2,947,683	2,449,204
Exemptions	<u>(25,307,719)</u>	<u>(13,215,587)</u>	<u>(10,174,806)</u>	<u>(8,853,024)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 92,590,031</u>	<u>\$ 96,837,505</u>	<u>\$ 87,824,448</u>	<u>\$ 87,132,752</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.871	\$ 0.843	\$ 0.84	\$ 0.84
Maintenance	<u>0.309</u>	<u>0.247</u>	<u>0.25</u>	<u>0.25</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.180</u>	<u>\$ 1.090</u>	<u>\$ 1.09</u>	<u>\$ 1.09</u>
ADJUSTED TAX LEVY*	<u>\$ 1,092,562</u>	<u>\$ 1,055,529</u>	<u>\$ 957,287</u>	<u>\$ 949,748</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>97.74 %</u>	<u>99.51 %</u>	<u>99.52 %</u>	<u>99.56 %</u>

* Based upon 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 \$0.50 per \$100 of assessed valuation approved by voters on November 5, 2013.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2015

S E R I E S - 2 0 0 9 A

Due During Fiscal Years Ending August 31	Principal Due April 1	Interest Due October 1/ April 1	Total
2016	\$ 135,000	\$ 23,300	\$ 158,300
2017	135,000	21,950	156,950
2018	140,000	20,600	160,600
2019	140,000	19,200	159,200
2020	140,000	17,800	157,800
2021	140,000	16,400	156,400
2022	145,000	15,000	160,000
2023	145,000	13,550	158,550
2024	145,000	12,100	157,100
2025	150,000	10,650	160,650
2026	150,000	9,150	159,150
2027	150,000	7,650	157,650
2028	150,000	6,150	156,150
2029	155,000	4,650	159,650
2030	155,000	3,100	158,100
2031	155,000	1,550	156,550
2032			
2033			
2034			
2035			
	<u>\$ 2,330,000</u>	<u>\$ 202,800</u>	<u>\$ 2,532,800</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2015

S E R I E S - 2 0 0 9 B

Due During Fiscal Years Ending August 31	Principal Due April 1	Interest Due October 1/ April 1	Total
2016	\$ 105,000	\$ 93,070	\$ 198,070
2017	110,000	90,497	200,497
2018	115,000	117,528	232,528
2019	120,000	84,250	204,250
2020	125,000	80,590	205,590
2021	130,000	76,215	206,215
2022	135,000	71,405	206,405
2023	140,000	66,207	206,207
2024	145,000	60,608	205,608
2025	150,000	74,735	224,735
2026	160,000	48,210	208,210
2027	165,000	41,090	206,090
2028	170,000	33,582	203,582
2029	175,000	25,763	200,763
2030	185,000	17,625	202,625
2031	190,000	8,930	198,930
2032			
2033			
2034			
2035			
	<u>\$ 2,320,000</u>	<u>\$ 990,305</u>	<u>\$ 3,310,305</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2015

S E R I E S - 2 0 1 2

Due During Fiscal Years Ending August 31	Principal Due April 1	Interest Due October 1/ April 1	Total
2016	\$ 210,000	\$ 127,550	\$ 337,550
2017	220,000	122,037	342,037
2018	230,000	117,088	347,088
2019		111,337	111,337
2020		111,338	111,338
2021		111,337	111,337
2022		111,338	111,338
2023		111,337	111,337
2024		111,338	111,338
2025		111,337	111,337
2026		111,338	111,338
2027	100,000	111,337	211,337
2028	110,000	107,463	217,463
2029	115,000	103,200	218,200
2030	125,000	98,600	223,600
2031	135,000	93,600	228,600
2032	505,000	88,200	593,200
2033	535,000	68,000	603,000
2034	565,000	46,600	611,600
2035	600,000	24,000	624,000
	<u>\$ 3,450,000</u>	<u>\$ 1,998,375</u>	<u>\$ 5,448,375</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2015

SERIES - 2013 REFUNDING

Due During Fiscal Years Ending August 31	Principal Due October 1	Interest Due October 1/ April 1	Total
2016	\$ 455,000	\$ 83,500	\$ 538,500
2017	80,000	78,150	158,150
2018	80,000	76,550	156,550
2019	80,000	74,950	154,950
2020	320,000	70,950	390,950
2021	320,000	64,150	384,150
2022	325,000	56,487	381,487
2023	340,000	47,963	387,963
2024	345,000	38,325	383,325
2025	360,000	27,750	387,750
2026	365,000	16,875	381,875
2027	380,000	5,700	385,700
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	<u>\$ 3,450,000</u>	<u>\$ 641,350</u>	<u>\$ 4,091,350</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2015

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending August 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2016	\$ 905,000	\$ 327,420	\$ 1,232,420
2017	545,000	312,634	857,634
2018	565,000	331,766	896,766
2019	340,000	289,737	629,737
2020	585,000	280,678	865,678
2021	590,000	268,102	858,102
2022	605,000	254,230	859,230
2023	625,000	239,057	864,057
2024	635,000	222,371	857,371
2025	660,000	224,472	884,472
2026	675,000	185,573	860,573
2027	795,000	165,777	960,777
2028	430,000	147,195	577,195
2029	445,000	133,613	578,613
2030	465,000	119,325	584,325
2031	480,000	104,080	584,080
2032	505,000	88,200	593,200
2033	535,000	68,000	603,000
2034	565,000	46,600	611,600
2035	600,000	24,000	624,000
	<u>\$ 11,550,000</u>	<u>\$ 3,832,830</u>	<u>\$ 15,382,830</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED AUGUST 31, 2015

Description	Original Bonds Issued	Bonds Outstanding September 1, 2014
Harris County Municipal Utility District No. 148 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2009A	\$ 2,855,000	\$ 2,465,000
Harris County Municipal Utility District No. 148 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2009B	2,710,000	2,210,000
Harris County Municipal Utility District No. 148 Unlimited Tax Bonds - Series 2012	3,450,000	3,450,000
Harris County Municipal Utility District No. 148 Unlimited Tax Refunding Bonds - Series 2013	<u>4,255,000</u>	<u>3,895,000</u>
TOTAL	<u>\$ 13,270,000</u>	<u>\$ 12,020,000</u>

Bond Authority:	<u>Tax Bonds*</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 48,700,000	\$ 19,500,000
Amount Issued	<u>18,015,000</u>	<u>725,000</u>
Remaining to be Issued	<u>\$ 30,685,000</u>	<u>\$ 18,775,000</u>

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes. Results from a bond election in fiscal year 2007 authorized \$35,700,000 in bonds to be used for either initial issue bonds or refunding bonds.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding August 31, 2015</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 135,000	\$ 24,650	\$ 2,330,000	BOKF, N.A. dba Bank of Texas Austin, TX
215,000	105,000	86,588	2,320,000	BOKF, N.A. dba Bank of Texas Austin, TX
		127,550	3,450,000	BOKF, N.A. dba Bank of Texas Austin, TX
	<u>445,000</u>	<u>92,500</u>	<u>3,450,000</u>	BOKF, N.A. dba Bank of Texas Austin, TX
<u>\$ 215,000</u>	<u>\$ 685,000</u>	<u>\$ 331,288</u>	<u>\$ 11,550,000</u>	

Debt Service Fund cash balances as of August 31, 2015: \$ 1,680,159

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 769,142

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

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2015	2014	2013
REVENUES			
Property Taxes	\$ 286,963	\$ 239,305	\$ 219,934
Water Service	501,997	467,481	458,598
Wastewater Service	516,386	493,161	478,401
City of Houston GRP Fees	306,148	275,202	264,466
Security Revenue			7,104
Penalty and Interest	95,595	95,780	91,813
Tap Connection and Inspection Fees	75,950	59,800	41,650
Sale of Capacity			
Miscellaneous Revenues	42,370	37,217	20,159
TOTAL REVENUES	\$ 1,825,409	\$ 1,667,946	\$ 1,582,125
EXPENDITURES			
Professional Fees	\$ 177,045	\$ 202,609	\$ 182,494
Purchased and Contracted Services	634,116	626,333	604,652
Utilities	78,459	70,788	66,808
Repairs and Maintenance	220,748	231,297	174,442
Other	317,784	459,569	284,089
TOTAL EXPENDITURES	\$ 1,428,152	\$ 1,590,596	\$ 1,312,485
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 397,257	\$ 77,350	\$ 269,640
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 397,257	\$ 77,350	\$ 269,640
BEGINNING FUND BALANCE	849,416	772,066	502,426
ENDING FUND BALANCE	\$ 1,246,673	\$ 849,416	\$ 772,066

See accompanying independent auditor's report.

		Percentage of Total Revenue				
<u>2012</u>	<u>2011</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 219,223	\$ 221,904	15.7 %	14.4 %	14.0 %	13.7 %	13.0 %
436,476	421,837	27.5	28.0	29.0	27.2	24.7
446,378	392,001	28.3	29.6	30.2	27.8	22.9
248,081	255,792	16.8	16.5	16.7	15.5	15.0
21,312	21,040			0.4	1.3	1.2
84,225	44,857	5.2	5.7	5.8	5.3	2.7
49,325	61,131	4.2	3.6	2.6	3.1	3.7
57,456	244,189				3.6	14.3
39,247	46,603	2.3	2.2	1.3	2.5	2.7
<u>\$ 1,601,723</u>	<u>\$ 1,709,354</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 343,017	\$ 204,833	9.7 %	12.1 %	11.5 %	21.4 %	12.0 %
635,581	611,579	34.7	37.6	38.2	39.7	35.8
67,025	114,790	4.3	4.2	4.2	4.2	6.7
215,076	209,043	12.1	13.9	11.0	13.4	12.2
282,888	287,236	17.4	27.6	18.0	17.7	16.8
<u>\$ 1,543,587</u>	<u>\$ 1,427,481</u>	<u>78.2 %</u>	<u>95.4 %</u>	<u>82.9 %</u>	<u>96.4 %</u>	<u>83.5 %</u>
\$ 58,136	\$ 281,873	<u>21.8 %</u>	<u>4.6 %</u>	<u>17.1 %</u>	<u>3.6 %</u>	<u>16.5 %</u>
<u>\$ (12,208)</u>	<u>\$ (277,194)</u>					
\$ 45,928	\$ 4,679					
456,498	451,819					
<u>\$ 502,426</u>	<u>\$ 456,498</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2015	2014	2013
REVENUES			
Property Taxes	\$ 813,455	\$ 816,837	\$ 739,624
Penalty and Interest	25,679	21,260	27,514
Miscellaneous Revenues	2,929	3,627	5,348
TOTAL REVENUES	\$ 842,063	\$ 841,724	\$ 772,486
EXPENDITURES			
Tax Collection Expenditures	\$ 43,180	\$ 39,207	\$ 43,961
Debt Service Principal	685,000	590,000	1,780,000
Debt Service Interest and Fees	333,288	315,400	423,219
Bond Issuance Costs			218,551
TOTAL EXPENDITURES	\$ 1,061,468	\$ 944,607	\$ 2,465,731
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (219,405)	\$ (102,883)	\$ (1,693,245)
OTHER FINANCING SOURCES (USES)			
Refunding Bonds Issued	\$	\$	\$ 4,255,000
Payment to Refunded Bond Escrow Agent			(4,010,015)
Bond Discount			(24,880)
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ - 0 -	\$ 220,105
NET CHANGE IN FUND BALANCE	\$ (219,405)	\$ (102,883)	\$ (1,473,140)
BEGINNING FUND BALANCE	1,896,877	1,999,760	3,472,900
ENDING FUND BALANCE	\$ 1,677,472	\$ 1,896,877	\$ 1,999,760
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,465	1,373	1,328
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,456	1,370	1,324

See accompanying independent auditor's report.

		Percentage of Total Revenue				
<u>2012</u>	<u>2011</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 737,676	\$ 748,997	96.7 %	97.1 %	95.7 %	94.4 %	94.7 %
32,190	34,669	3.0	2.5	3.6	4.1	4.4
11,930	7,372	0.3	0.4	0.7	1.5	0.9
<u>\$ 781,796</u>	<u>\$ 791,038</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 44,360	\$ 48,956	5.1 %	4.7 %	5.7 %	5.7 %	6.2 %
510,000	275,000	81.3	70.0	230.4	65.2	34.8
390,073	378,630	39.6	37.5	54.8	49.9	47.9
				28.3		
<u>\$ 944,433</u>	<u>\$ 702,586</u>	<u>126.0 %</u>	<u>112.2 %</u>	<u>319.2 %</u>	<u>120.8 %</u>	<u>88.9 %</u>
<u>\$ (162,637)</u>	<u>\$ 88,452</u>	<u>(26.0) %</u>	<u>(12.2) %</u>	<u>(219.2) %</u>	<u>(20.8) %</u>	<u>11.1 %</u>
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ (162,637)	\$ 88,452					
<u>3,635,537</u>	<u>3,547,085</u>					
<u>\$ 3,472,900</u>	<u>\$ 3,635,537</u>					
<u>1,297</u>	<u>1,195</u>					
<u>1,291</u>	<u>1,191</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2015

District Mailing Address - Harris County Municipal Utility District No. 148
c/o Strawn & Richardson PC
6750 West Loop South, Suite 865
Bellaire, TX 77401-4103

District Telephone Number - (713) 864-5466

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>August 31, 2015</u>	Expense Reimbursements for the year ended <u>August 31, 2015</u>	<u>Title</u>
Calvet C. Shelley	05/12 05/16 (Elected)	\$ 7,200	\$ 7,934	President
Brian E. Johnson	05/14 05/18 (Elected)	\$ 3,900	\$ 2,481	Vice President
Charles Randle	05/12 05/16 (Elected)	\$ 6,450	\$ 7,106	Treasurer
Larry D. Cannon	05/14 05/18 (Elected)	\$ 4,200	\$ 1,646	Secretary
Jacqueline Y. McConnell	05/14 05/18 (Elected)	\$ 7,200	\$ 7,127	Assistant Secretary

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): February 27, 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) on July 8, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2015

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended August 31, 2015</u>	<u>Title</u>
Strawn & Richardson PC	12/09/14	\$ 41,494	General Counsel
McCall Gibson Swedlund Barfoot PLLC	08/09/11	\$ 28,000	Auditor
McLennan and Associates	08/23/11	\$ 47,467	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, LLP	04/09/97	\$ 10,206	Delinquent Tax Attorney
Landev Engineers, Inc.	06/17/11	\$ 193,937	Engineer
Blicht Associates, Inc.	10/12/10	\$ -0-	Financial Advisor
WWWMS, Inc.	09/23/08	\$ 240,522	Operator
Bob Leared RTA	04/12/94	\$ 20,762	Tax Assessor/ Collector

See accompanying independent auditor's report.