

**CIMARRON MUNICIPAL
UTILITY DISTRICT**

HARRIS AND FORT BEND COUNTIES, TEXAS

FINANCIAL REPORT

February 29, 2016

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Independent Auditors' Report

Board of Directors
Cimarron Municipal Utility District
Harris and Fort Bend Counties, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Cimarron Municipal Utility District, as of and for the year ended February 29, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

*Board of Directors
Cimarron Municipal Utility District
Harris and Fort Bend Counties, Texas*

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Cimarron Municipal Utility District, as of February 29, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

W.C. Gatter & Co, PLLC

Houston, Texas
June 15, 2016

Management's Discussion and Analysis

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***Cimarron Municipal Utility District
Management's Discussion and Analysis
February 29, 2016***

Using this Annual Report

Within this section of the financial report of Cimarron Municipal Utility District (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended February 29, 2016. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

***Cimarron Municipal Utility District
Management's Discussion and Analysis
February 29, 2016***

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at February 29, 2016, was negative \$5,173,104. A comparative summary of the District's overall financial position, as of February 29, 2016 and 2015, is as follows:

	2016	2015
Current and other assets	\$ 7,303,064	\$ 6,142,481
Capital assets	18,930,214	17,529,912
Total assets	<u>26,233,278</u>	<u>23,672,393</u>
 Total deferred outflows of resources	 <u>134,090</u>	 <u>150,851</u>
 Current liabilities	 1,545,542	 1,379,690
Long-term liabilities	29,994,930	28,092,309
Total liabilities	<u>31,540,472</u>	<u>29,471,999</u>
 Net position		
Net investment in capital assets	(8,549,777)	(8,153,035)
Restricted	1,927,548	1,796,718
Unrestricted	1,449,125	707,562
Total net position	<u>\$ (5,173,104)</u>	<u>\$ (5,648,755)</u>

***Cimarron Municipal Utility District
Management's Discussion and Analysis
February 29, 2016***

The total net position of the District increased by \$475,651. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2016</u>	<u>2015</u>
Revenues		
Water and sewer service	\$ 1,209,032	\$ 1,034,110
Property taxes, penalties and interest	2,809,382	3,179,061
Other	<u>2,473,078</u>	<u>2,095,306</u>
Total revenues	<u>6,491,492</u>	<u>6,308,477</u>
Expenses		
Current service operations	3,491,294	2,916,008
Interest and fees	1,680,147	1,211,472
Debt issuance costs	326,693	185,234
Intergovernmental	188,109	
Depreciation	<u>388,508</u>	<u>339,511</u>
Total expenses	<u>6,074,751</u>	<u>4,652,225</u>
Change in net position before other items	416,741	1,656,252
Other items		
Transfers to other governments		(746,936)
Reduction in capital asset values		(193,581)
Insurance recovery	<u>58,910</u>	<u>22,843</u>
Change in net position	475,651	738,578
Net position, beginning of year	<u>(5,648,755)</u>	<u>(6,387,333)</u>
Net position, end of year	<u><u>\$ (5,173,104)</u></u>	<u><u>\$ (5,648,755)</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of February 29, 2016, were \$6,588,887, which consists of \$3,148,521 in the General Fund, \$1,820,429 in the Debt Service Fund and \$1,619,937 in the Capital Projects Fund.

***Cimarron Municipal Utility District
Management's Discussion and Analysis
February 29, 2016***

General Fund

Comparative summaries of the General Fund's financial position as of February 29, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Total assets	<u>\$ 3,666,264</u>	<u>\$ 2,787,440</u>
Total liabilities	\$ 451,227	\$ 302,754
Total deferred inflows	66,516	99,358
Total fund balance	<u>3,148,521</u>	<u>2,385,328</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 3,666,264</u>	<u>\$ 2,787,440</u>

Comparative summaries of the General Fund's activities for the current and prior fiscal year are as follows:

	<u>2016</u>	<u>2015</u>
Total revenues	\$ 3,775,297	\$ 2,884,919
Total expenditures	<u>(3,012,104)</u>	<u>(2,703,592)</u>
Revenues over expenditures	763,193	181,327
Other changes in fund balance		22,843
Net change in fund balance	<u>\$ 763,193</u>	<u>\$ 204,170</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. As a result, fund balance in the current and prior year has increased.

Debt Service Fund

Comparative summaries of the Debt Service Fund's financial position as of February 29, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Total assets	<u>\$ 1,942,408</u>	<u>\$ 1,810,960</u>
Total liabilities	\$ 14,860	\$ 14,242
Total deferred inflows	107,119	110,960
Total fund balance	<u>1,820,429</u>	<u>1,685,758</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,942,408</u>	<u>\$ 1,810,960</u>

***Cimarron Municipal Utility District
Management's Discussion and Analysis
February 29, 2016***

Comparative summaries of the Debt Service Fund's activities the current and prior fiscal year are as follows:

	2016	2015
Total revenues	\$ 2,244,033	\$ 2,998,483
Total expenditures	<u>(2,109,362)</u>	<u>(3,209,021)</u>
Revenues over/(under) expenditures	134,671	(210,538)
Other changes in fund balance		315,787
Net change in fund balance	<u>\$ 134,671</u>	<u>\$ 105,249</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in changes in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

During the prior year, the District issued \$6,585,000 in refunding bonds to refund \$6,260,000 of its outstanding Series 2006 and Series 2007 bonds. This refunding saved the District \$489,889 in future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of February 29, 2016 and 2015 is as follows:

	2016	2015
Total assets	<u>\$ 1,619,937</u>	<u>\$ 1,469,439</u>
Total liabilities	\$ -	\$ 188,052
Total fund balance	1,619,937	1,281,387
Total liabilities and fund balance	<u>\$ 1,619,937</u>	<u>\$ 1,469,439</u>

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

	2016	2015
Total revenues	\$ 2,179	\$ 3,339
Total expenditures	<u>(5,414,109)</u>	<u>(456,021)</u>
Revenues under expenditures	(5,411,930)	(452,682)
Other changes in fund balance	5,750,480	
Net change in fund balance	<u>\$ 338,550</u>	<u>\$ (452,682)</u>

The District issued its \$5,790,000 Series 2015 Unlimited Tax Bonds in the current year.

***Cimarron Municipal Utility District
Management's Discussion and Analysis
February 29, 2016***

Special Revenue Fund

A comparative summary of the Special Revenue Fund's financial position as of February 29, 2016 and 2015 is as follows:

	2016	2015
Total assets	<u>\$ 156,009</u>	<u>\$ 156,196</u>
Total liabilities	<u>\$ 156,009</u>	<u>\$ 156,196</u>

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

	2016	2015
Total revenues	<u>\$ 519,963</u>	<u>\$ 392,536</u>
Total expenditures	<u>(519,963)</u>	<u>(392,536)</u>
Revenues over/(under) expenditures	<u>\$ -</u>	<u>\$ -</u>

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

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the fiscal year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$409,507 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

***Cimarron Municipal Utility District
Management's Discussion and Analysis
February 29, 2016***

Capital Assets

Capital assets held by the District at February 29, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Capital assets not being depreciated		
Land and improvements	\$ 8,020,720	\$ 8,073,947
Construction in progress		362,829
	<u>8,020,720</u>	<u>8,436,776</u>
Capital assets being depreciated		
Infrastructure	14,573,649	12,368,783
Investment in regional facilities	2,497,157	2,497,157
	<u>17,070,806</u>	<u>14,865,940</u>
Less accumulated depreciation		
Infrastructure	(5,846,002)	(5,512,986)
Investment in regional facilities	(315,310)	(259,818)
	<u>(6,161,312)</u>	<u>(5,772,804)</u>
Depreciable capital assets, net	<u>10,909,494</u>	<u>9,093,136</u>
Capital assets, net	<u>\$ 18,930,214</u>	<u>\$ 17,529,912</u>

The District completed construction of the following during the current year:

- Water plants no. 1 and 2 improvements
- Lift stations no. 1 and 2 improvements
- Grand Crossing, Phase III, IV and V – water, sewer, and drainage

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction. As of February 29, 2016, the District owes the developers \$1,617,117 for completed projects.

***Cimarron Municipal Utility District
Management's Discussion and Analysis
February 29, 2016***

Long-Term Debt

At February 29, 2016 and 2015, the District had total bonded debt outstanding as shown below:

Series	2016	2015
2006	\$ -	\$ 235,000
2007		150,000
2010	4,965,000	5,090,000
2011	10,375,000	10,525,000
2013	2,550,000	2,630,000
2014 Refunding	6,420,000	6,480,000
2015	5,600,000	
	\$ 29,910,000	\$ 25,110,000

During the year, the District issued \$5,790,000 in unlimited tax bonds. At February 29, 2016, the District had \$2,905,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$725,000 for refunding purposes.

Next Year's Budget

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

	2016 Actual	2017 Budget
Total revenues	\$ 3,775,297	\$ 3,189,600
Total expenditures	(3,012,104)	(3,178,083)
Revenues over expenditures	763,193	11,517
Beginning fund balance	2,385,328	3,148,521
Ending fund balance	\$ 3,148,521	\$ 3,160,038

Basic Financial Statements

Cimarron Municipal Utility District
Statement of Net Position and Governmental Funds Balance Sheet
February 29, 2016

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Assets					
Cash	\$ 1,644,411	\$ 1,275,945	\$ 697,146	\$ 120,345	\$ 3,737,847
Investments	1,352,755	557,857	946,584		2,857,196
Taxes receivable, net	15,259	107,119			122,378
Customer service receivables, net	279,069				279,069
Due from City of Houston	181,198				181,198
Internal balances	(9,577)	1,487	(23,793)	31,883	
Interest receivable	1,079				1,079
Due from other districts				3,781	3,781
Operating Reserve - West Memorial Treatment Plant	120,516				120,516
Operating Reserve - water plant	81,554				81,554
Capital assets not being depreciated Capital assets, net					
Total Assets	\$ 3,666,264	\$ 1,942,408	\$ 1,619,937	\$ 156,009	\$ 7,384,618
Deferred Outflows of Resources					
Deferred difference on refunding					
Liabilities					
Accounts payable	\$ 66,909	\$ 14,860	\$ -	\$ 30,618	\$ 112,387
Other payables	100,000				100,000
Operating reserve				125,391	125,391
Customer deposits	16,800				16,800
Builder deposits	4,740				4,740
Due to other governments	262,778				262,778
Due to developers					
Long-term debt					
Due within one year					
Due after one year					
Total Liabilities	451,227	14,860		156,009	622,096
Deferred Inflows of Resources					
Deferred property taxes	15,259	107,119			122,378
Deferred City of Houston sales tax	51,257				51,257
	66,516	107,119			173,635
Fund Balances/Net Position					
Fund Balances					
Nonspendable	202,070				202,070
Restricted		1,820,429	1,619,937		3,440,366
Unassigned	2,946,451				2,946,451
Total Fund Balances	3,148,521	1,820,429	1,619,937		6,588,887
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,666,264	\$ 1,942,408	\$ 1,619,937	\$ 156,009	\$ 7,384,618
Net Position					
Net investment in capital assets					
Restricted for debt service					
Unrestricted					
Total Net Position					
See notes to basic financial statements.					

Adjustments	Statement of Net Position
\$ -	\$ 3,737,847
	2,857,196
	122,378
	279,069
	181,198
	1,079
	3,781
	120,516
(81,554)	
8,020,720	8,020,720
10,909,494	10,909,494
<u>18,848,660</u>	<u>26,233,278</u>
<u>134,090</u>	<u>134,090</u>
	112,387
	100,000
(81,554)	43,837
	16,800
	4,740
	262,778
1,617,117	1,617,117
1,005,000	1,005,000
28,377,813	28,377,813
<u>30,918,376</u>	<u>31,540,472</u>
(122,378)	
(51,257)	
<u>(173,635)</u>	
(202,070)	
(3,440,366)	
(2,946,451)	
<u>(6,588,887)</u>	
(8,549,777)	(8,549,777)
1,927,548	1,927,548
1,449,125	1,449,125
<u>\$ (5,173,104)</u>	<u>\$ (5,173,104)</u>

Cimarron Municipal Utility District
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended February 29, 2016

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Revenues					
Water service	\$ 571,751	\$ -	\$ -	\$ -	\$ 571,751
Sewer service	637,281				637,281
Garbage service	241,982				241,982
Property taxes	534,724	2,215,879			2,750,603
Water supply				519,810	519,810
Penalties and interest	40,445	12,636			53,081
Tap connection and inspection	266,009				266,009
City of Houston sales tax rebate	744,205				744,205
Regional Water Authority fees	721,371				721,371
Accrued interest on bonds sold		13,297			13,297
Miscellaneous	13,478				13,478
Investment earnings	4,051	2,221	2,179	153	8,604
Total Revenues	3,775,297	2,244,033	2,179	519,963	6,541,472
Expenditures/Expenses					
Current service operations					
Purchased services	859,849				859,849
Professional fees	204,102		9,626	2,500	216,228
Contracted services	483,592	49,798		11,923	545,313
Repairs and maintenance	569,235		78,821	57,005	705,061
Utilities	122,867			48,121	170,988
Regional Water Authority fees	361,866			385,529	747,395
Administrative	106,362	8,651	440	11,135	126,588
Other	16,122			3,750	19,872
Economic development grant	100,000				100,000
Capital outlay			4,408,728		4,408,728
Debt service					
Principal		990,000			990,000
Interest and fees		1,059,413	591,301		1,650,714
Debt issuance costs		1,500	325,193		326,693
Intergovernmental	188,109				188,109
Depreciation					
Total Expenditures/Expenses	3,012,104	2,109,362	5,414,109	519,963	11,055,538
Revenues Over/(Under)					
Expenditures/Expenses	763,193	134,671	(5,411,930)		(4,514,066)
Other Financing Sources/(Uses)					
Proceeds from sale of bonds			5,790,000		5,790,000
Bond discount			(98,430)		(98,430)
Other Item					
Insurance recovery			58,910		58,910
Net Change in Fund Balances	763,193	134,671	338,550		1,236,414
Change in Net Position					
Fund Balance/Net Position					
Beginning of the period	2,385,328	1,685,758	1,281,387		5,352,473
End of the period	\$ 3,148,521	\$ 1,820,429	\$ 1,619,937	\$ -	\$ 6,588,887

See notes to basic financial statements.

Adjustments	Statement of Activities
\$ -	\$ 571,751
	637,281
	241,982
4,133	2,754,736
	519,810
1,565	54,646
	266,009
(42,381)	701,824
	721,371
(13,297)	13,478
	8,604
<u>(49,980)</u>	<u>6,491,492</u>
	859,849
	216,228
	545,313
	705,061
	170,988
	747,395
	126,588
	19,872
	100,000
(4,408,728)	
(990,000)	
29,433	1,680,147
	326,693
	188,109
388,508	388,508
<u>(4,980,787)</u>	<u>6,074,751</u>
4,930,807	416,741
(5,790,000)	
98,430	
	58,910
(1,236,414)	
475,651	475,651
(11,001,228)	(5,648,755)
<u>\$ (11,761,991)</u>	<u>\$ (5,173,104)</u>

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Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2016

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Cimarron Municipal Utility District (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Water Rights Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated February 9, 1976, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on December 7, 1976 and the first bonds were sold on December 1, 1977.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

*Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2016*

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes, water and sewer service fees, and City of Houston sales tax rebates. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer and drainage facilities.
- The Special Revenue Fund is used to account for the operation and maintenance of the water plant no. 3 that is jointly owned by the District and Harris-Fort Bend Counties Municipal Utility District No. 3, see Note 11 for additional information.

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

Measurement Focus and Basis of Accounting

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

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

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

*Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2016*

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Restricted Resources

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At February 29, 2016, allowances of \$12,953 and \$10,000 were provided for possible uncollectible property taxes and water/sewer accounts, respectively.

Interfund Activity

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

Capital Assets

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

Capital assets, which primarily consist of land and improvements, water, wastewater and drainage facilities and investment in regional facilities, are depreciated using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	20-45 years
Investment in regional facilities	45 years

The District's detention facilities are considered improvements to land and are non-depreciable.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

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

At the fund level, property taxes receivable and City of Houston sales tax rebates not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Deferred outflows of financial resources at the government wide level are from a refunding bond transaction in the prior year, in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of operating reserves paid to West Memorial Municipal Utility District and to the Special Revenue Fund for the joint water plant.

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

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

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

Unassigned - all other spendable amounts in the General Fund.

Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

Use of Estimates

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

***Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2016***

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$	6,588,887
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
Historical cost	\$ 25,091,526	
Less accumulated depreciation	<u>(6,161,312)</u>	
Change due to capital assets		18,930,214
<p>The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the <i>Statement of Net Position</i> and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.</p>		
		134,090
<p>Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i>.</p>		
		(1,617,117)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of bonds payable, net.</p>		
		(29,382,813)
<p>Receivables that are not collected within sixty days of fiscal year end are not considered available to pay current period expenditures and are deferred in the funds</p>		
Property taxes	122,378	
City of Houston sales tax receipts	<u>51,257</u>	
		173,635
Total net position - governmental activities	<u>\$</u>	<u>(5,173,104)</u>

***Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2016***

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

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

Net change in fund balances - total governmental funds	\$	1,236,414
<p>Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for:</p>		
Property taxes and related penalties and interest	\$	5,698
City of Houston sales tax rebates		<u>(42,381)</u>
		(36,683)
<p>Governmental funds report capital outlays for construction costs as expenditures in the funds; however, in the <i>Statement of Activities</i>, the cost of long-term assets is capitalized and charged to expense over the estimated useful life of the asset.</p>		
Capital outlays		4,408,728
Depreciation expense		<u>(388,508)</u>
		4,020,220
<p>The issuance of long-term debt provides current financial resources in governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.</p>		
Issuance of long term debt		(5,790,000)
Principal payments		990,000
Bond discount		98,430
Interest expense accrual		<u>(42,730)</u>
		(4,744,300)
Change in net position of governmental activities	<u>\$</u>	<u>475,651</u>

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2016

Note 3 – Deposits and Investments (continued)

Restricted Cash

During the current year, the District released surplus funds in the amount of \$235,841 from the Series 2013 Bonds to reimburse the General Fund for West Memorial Municipal Utility District regional wastewater treatment plant headwork upgrades. The District also released \$945,448 from the Series 2015 Bonds to fund land acquisition costs for Reserve D detention/amenity lake.

Investments

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

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

As of February 29, 2016, the District's investments consist of the following:

<u>Type</u>	<u>Fund</u>	<u>Carrying Value</u>	<u>Percentage of Total</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
Certificate of deposit	General	\$ 210,662	7%	N/A	N/A
TexPool	General	1,142,093			
	Debt Service	557,857			
	Capital Projects	946,584			
		<u>2,646,534</u>	<u>93%</u>	AAAm	66 days
Total		<u>\$ 2,857,196</u>	<u>100%</u>		

The District's investments in certificates of deposit are stated at cost, which approximates fair value.

Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2016

Note 3 – Deposits and Investments (continued)

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price. Accordingly, the fair value of the District’s position in TexPool is the same as the value of TexPool shares.

Investment Credit and Interest Rate Risk

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

Note 4 – Amounts Due to/from Other Funds

Amounts due to/from other funds at February 29, 2016, consist of the following:

	Interfund	
	Receivable	Payable
General Fund	\$ 29,183	\$ 38,761
Debt Service Fund	6,878	5,390
Capital Projects Fund		23,793
Special Revenue Fund	31,883	
	<u>\$ 67,944</u>	<u>\$ 67,944</u>

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

***Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2016***

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended February 29, 2016, is as follows:

	Beginning Balances	Additions	Retirements/ Adjustments	Ending Balances
Capital assets not being depreciated				
Land and improvements	\$ 8,073,947	\$ -	\$ (53,227)	\$ 8,020,720
Construction in progress	362,829		(362,829)	
	<u>8,436,776</u>		<u>(416,056)</u>	<u>8,020,720</u>
Capital assets being depreciated				
Infrastructure	12,368,783	2,204,866		14,573,649
Investment in regional facilities	2,497,157			2,497,157
	<u>14,865,940</u>	<u>2,204,866</u>		<u>17,070,806</u>
Less accumulated depreciation				
Infrastructure	(5,512,986)	(333,016)		(5,846,002)
Investment in regional facilities	(259,818)	(55,492)		(315,310)
	<u>(5,772,804)</u>	<u>(388,508)</u>		<u>(6,161,312)</u>
Subtotal depreciable capital assets, net	<u>9,093,136</u>	<u>1,816,358</u>		<u>10,909,494</u>
Capital assets, net	<u>\$ 17,529,912</u>	<u>\$ 1,816,358</u>	<u>\$ (416,056)</u>	<u>\$ 18,930,214</u>

Depreciation expense for the current year was \$388,508.

Note 6 – Due to Developers

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

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

Due to developers, beginning of year	\$ 4,237,035
Developer reimbursements	(3,506,758)
Developer funded construction and adjustments	886,840
Due to developers, end of year	<u>\$ 1,617,117</u>

*Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2016*

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 29,910,000
Unamortized discounts	(561,072)
Unamortized premium	33,885
	<u>\$ 29,382,813</u>
 Due within one year	 <u>\$ 1,005,000</u>

The District's bonds payable at February 29, 2016, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2010	\$ 4,965,000	5,130,000	3.50% - 4.00%	March 1, 2012/2031	September 1, March 1	March 1, 2018
2011	10,375,000	10,525,000	4.00% - 5.50%	March 1, 2016/2036	September 1, March 1	March 1, 2019
2013	2,550,000	2,630,000	2.00% - 4.375%	March 1, 2016/2036	September 1, March 1	March 1, 2021
2014 Refunding	6,420,000	6,585,000	2.00% - 3.125%	March 1, 2015/2031	September 1, March 1	March 1, 2023
2015	5,600,000	5,790,000	2.00% - 3.250%	March 1, 2016/2036	September 1, March 1	March 1, 2024
	<u>\$ 29,910,000</u>					

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

At February 29, 2016, the District had authorized but unissued bonds in the amount of \$2,905,000 for water, sewer and drainage facilities and \$725,000 for refunding purposes.

On September 30, 2015, the District issued its \$5,790,000 Series 2015 Unlimited Tax Bonds at a net effective interest rate of 3.204436% to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds.

***Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2016***

Note 7 – Long-Term Debt (continued)

The debt service payment due March 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of February 29, 2016, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2017	\$ 1,005,000	\$ 1,105,281	\$ 2,110,281
2018	1,045,000	1,079,580	2,124,580
2019	1,080,000	1,052,883	2,132,883
2020	1,120,000	1,025,819	2,145,819
2021	1,150,000	995,789	2,145,789
2022	1,200,000	961,263	2,161,263
2023	1,240,000	927,113	2,167,113
2024	1,290,000	886,738	2,176,738
2025	1,340,000	844,738	2,184,738
2026	1,395,000	800,800	2,195,800
2027	1,450,000	750,927	2,200,927
2028	1,510,000	699,698	2,209,698
2029	1,580,000	645,775	2,225,775
2030	1,650,000	587,548	2,237,548
2031	1,715,000	526,099	2,241,099
2032	1,820,000	461,317	2,281,317
2033	1,920,000	380,819	2,300,819
2034	2,025,000	295,894	2,320,894
2035	2,130,000	202,356	2,332,356
2036	2,245,000	103,863	2,348,863
	<u>\$ 29,910,000</u>	<u>\$ 14,334,301</u>	<u>\$ 44,244,301</u>

Note 8 – Property Taxes

On January 25, 1977, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$.025 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

***Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2016***

Note 8 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2016 fiscal year was financed through the 2015 tax levy, pursuant to which the District levied property taxes of \$0.42 per \$100 of assessed value, of which \$0.08 was allocated to maintenance and operations and \$0.34 was allocated to debt service. The resulting tax levy was \$2,899,999 on the adjusted taxable value of \$690,475,837.

Net property taxes receivable, at February 29, 2016, consisted of the following:

Current year taxes receivable	\$ 69,164
Prior years taxes receivable	46,111
Less allowance for uncollectible accounts	(12,953)
	<u>102,322</u>
Penalty and interest receivable	20,056
Net property taxes receivable	<u><u>\$ 122,378</u></u>

Note 9 – Strategic Partnership Agreement

Effective April 10, 2003, as subsequently amended, the District and the City of Houston (the “City”) entered into a Strategic Partnership Agreement (the “Agreement”) under which the City annexed certain commercial areas of the District for the limited purposes of applying the City’s planning, zoning, health and safety ordinances within the District. The District continues to exercise all powers and functions of a municipal utility district. As consideration for the District providing services described in the Agreement, the City agreed to remit one half of all retail sales taxes collected from retailers in the area annexed. The City agrees that it will not annex all or part of the District during the term of this agreement which is thirty years.

Note 10 – Financing and Operation of Regional Facilities

On August 30, 1983, as subsequently amended, the District entered into a thirty-five year agreement with West Memorial Municipal Utility District (“West Memorial”), Interstate Municipal Utility District, Mason Creek Utility District and Harris County Municipal Utility District No. 81, whereby West Memorial agreed to provide the regional wastewater treatment and disposal facilities necessary to serve the participants. West Memorial has oversight responsibilities and holds title to the facilities for the benefit of the participating Districts. As previously mentioned in Note 3, the District reimbursed the General Fund from surplus funds for West Memorial regional wastewater treatment plant headwork upgrades.

***Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2016***

Note 10 – Financing and Operation of Regional Facilities (continued)

The following represents each participant’s capacity and percentage of ownership:

Participant	Million Gallons Capacity	Percent of Ownership
Cimarron Municipal Utility District	2,471,000	38.16%
Interstate Municipal Utility District	1,350,000	20.85%
Harris County Municipal Utility District No. 81	1,255,000	19.38%
Mason Creek Utility District	800,000	12.36%
West Memorial Municipal Utility District	599,000	9.25%
Totals	6,475,000	100.00%

West Memorial operates the regional facilities. Participants are billed monthly based on a contractual formula. During the current year, the District recorded expenditures in the amount of \$378,034 for its share of operating costs. In addition, the District is responsible for its pro rata share of an operating and maintenance reserve, which is equivalent to three months of average budgeted operating and maintenance expenditures. As of February 29, 2016, the District’s share of the operating reserve is \$120,516.

Audited financial statements for the wastewater treatment plant are prepared annually and can be obtained from West Memorial’s attorney. Condensed financial information, as of and for the year ended June 30 2015, is shown below:

Total Assets	\$ 586,200
Total Liabilities	\$ 187,352
Total Fund Balance - Restricted	398,848
Total Liabilities and Fund Balance	\$ 586,200
Total Revenues	\$ 1,260,111
Total Expenditures	(1,260,111)
Revenues Over Expenditures	37,673
Other Financing Sources - Increase in Operating Reserve	37,673
Net Change in Fund Balance	37,673
Fund Balance, Beginning of Year	361,175
Fund Balance, End of Year	\$ 398,848

***Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2016***

Note 11 – Joint Water Supply Agreement

On November 17, 2010, the District entered into a Joint Water Plant Operating Agreement, (“the Agreement”) with Harris-Fort Bend Municipal District No. 3 (HFB MUD 3). This Agreement establishes the terms and conditions under which maintenance and operations costs for the joint water plant will be allocated between the districts. The District shall hold legal title for the water plant no. 3 for the benefit of both districts. Each district shall have an undivided equitable interest in the water plant based on the district’s proportionate share of equivalent single family connections. The District has a 65.04% interest in the water plant and HFB MUD 3 has a 34.96% interest in the water plant.

The District has established a Special Revenue Fund to account for activities related to the water plant. Each district is billed monthly for its proportionate share of maintenance and operating expenditures. For the year ended February 29, 2016, the District’s share of the water service billings were \$481,815 and HFB MUD 3’s share of the water service billings were \$37,995. As of February 29, 2016, the District’s and HFB MUD 3’s operating reserves are \$81,554 and \$43,837, respectively.

Note 12 – West Harris County Regional Water Authority

The District is within the boundaries of the West Harris County Regional Water Authority (the Authority”), which was created by the Texas Legislature. The Authority is a political subdivision of the State of Texas, governed by an elected nine member Board of Directors. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Coastal Subsidence District, which regulates groundwater withdrawal. The District passes these costs on to its customers. During the current fiscal year, the District recognized \$721,371 in revenues and \$747,395 in expenditures for surface water.

As of February 29, 2016, the Authority’s rates are \$2.25 per 1,000 gallons of water pumped from the District’s wells and \$2.65 for surface water delivered by the Authority. These rates have been in effect since January 2016 and are subject to future increases.

Note 13 – Economic Development Agreement

On July 17, 2013, the District entered into an Economic Development Agreement with Costco Wholesale Corporation in order to provide a performance-based economic development grant to the developer to defray a portion of the costs incurred by the developer by building a wholesale merchandise facility in the District. Costco will be paid from revenues received from the Strategic Partnership Agreement (“SPA”) between the District and the City of Houston (“the City”). The amount of the Economic Development Grant for a given year shall be equal to fifty percent of the revenue received by the District from the City pursuant to the SPA from Costco, but not to exceed \$100,000. The initial Economic Development Grant payment shall be made within thirty days of the annual anniversary date of the initial sales tax collection by the City from Costco and ends after ten years. During the current fiscal year, the District recognized \$100,000 payable to Costco. This amount is reported as “Other payables” in the *Statement of Net Position*.

Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2016

Note 14 – Risk Management

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

Required Supplementary Information

*Cimarron Municipal Utility District
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended February 29, 2016*

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	\$ 504,000	\$ 516,036	\$ 571,751	\$ 55,715
Sewer service	516,000	563,913	637,281	73,368
Garbage service	276,000	258,497	241,982	(16,515)
Property taxes	149,000	500,000	534,724	34,724
Penalties and interest	36,000	39,586	40,445	859
Tap connection and inspection	12,000	244,695	266,009	21,314
City of Houston sales tax rebate	540,000	695,139	744,205	49,066
Regional Water Authority fees	576,000	614,755	721,371	106,616
Miscellaneous	10,680	10,608	13,478	2,870
Investment earnings	1,440	3,200	4,051	851
Total Revenues	<u>2,621,120</u>	<u>3,446,429</u>	<u>3,775,297</u>	<u>328,868</u>
Expenditures				
Current service operations				
Purchased services	862,888	950,540	859,849	90,691
Professional fees	158,100	183,824	204,102	(20,278)
Contracted services	341,500	477,636	483,592	(5,956)
Repairs and maintenance	605,510	667,761	569,235	98,526
Utilities	132,000	123,041	122,867	174
Regional Water Authority fees	360,000	348,749	361,866	(13,117)
Administrative	118,459	104,070	106,362	(2,292)
Other	21,200	29,586	16,122	13,464
Economic development grant			100,000	(100,000)
Capital outlay		19,427		19,427
Intergovernmental		188,109	188,109	
Total Expenditures	<u>2,599,657</u>	<u>3,092,743</u>	<u>3,012,104</u>	<u>80,639</u>
Revenues Over Expenditures	21,463	353,686	763,193	409,507
Fund Balance				
Beginning of the period	2,385,328	2,385,328	2,385,328	
End of the period	<u>\$ 2,406,791</u>	<u>\$ 2,739,014</u>	<u>\$ 3,148,521</u>	<u>\$ 409,507</u>

*Cimarron Municipal Utility District
 Required Supplementary Information - Budgetary Comparison Schedule - Special Revenue Fund
 For the Year Ended February 29, 2016*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water supply	\$ 504,200	\$ 519,810	\$ 15,610
Investment earnings		153	153
Total Revenues	<u>504,200</u>	<u>519,963</u>	<u>15,763</u>
Expenditures			
Current service operations			
Professional fees	10,900	2,500	8,400
Contracted services	13,360	11,923	1,437
Repairs and maintenance	78,600	57,005	21,595
Utilities	54,800	48,121	6,679
Regional water authority fees	324,000	385,529	(61,529)
Administrative	17,240	11,135	6,105
Other	5,300	3,750	1,550
Total Expenditures	<u>504,200</u>	<u>519,963</u>	<u>(15,763)</u>
Revenues Over Expenditures			
Fund Balance:			
Beginning of the period			
End of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Cimarron Municipal Utility District
Notes to Required Supplementary Information
February 29, 2016

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund and Special Revenue Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. The budget in the General Fund was amended during the year to reflect changes in anticipated revenues and expenditures.

Texas Supplementary Information

Cimarron Municipal Utility District
TSI-1. Services and Rates
February 29, 2016

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

- Retail Water Wholesale Water Solid Waste / Garbage Drainage
 Retail Wastewater Wholesale Wastewater Flood Control Irrigation
 Parks / Recreation Fire Protection Roads Security
 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):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels	
Water:	\$ 9.00	6,000	N	\$ 1.25	6,001	to 10,000
				\$ 1.50	10,001	to 15,000
				\$ 1.75	15,001	to 20,000
				\$ 2.00	20,001	to No limit
Wastewater:	\$ 13.00	- 0 -	Y	N/A	- 0 -	to No limit
Surface water:	\$	- 0 -	N	\$ 2.48	- 0 -	to No limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 38.80 Wastewater \$ 13.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	1,499	1,486	x 1.0	1,486
1"	16	16	x 2.5	40
1.5"	28	26	x 5.0	130
2"	64	64	x 8.0	512
3"			x 15.0	
4"	1	1	x 25.0	25
6"	3	3	x 50.0	150
8"	7	7	x 80.0	560
10"			x 115.0	
12"	1	1	x 155.0	155
Total Water	1,619	1,604		3,058
Total Wastewater	1,557	1,545	x 1.0	1,545

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-1. Services and Rates
February 29, 2016

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

Gallons pumped into system:	<u>362,149,000</u>	Water Accountability Ratio:
Gallons purchased:	<u> </u>	(Gallons billed/sold//
Gallons billed to customers:	<u>325,862,000</u>	gallons pumped/purchased)
*Gallons sold:	<u>11,697,000</u>	<u>93.21%</u>

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

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

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

Is the District located entirely within one county? Yes No

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

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

City(ies) in which the District is located: _____

Is the District located within a city's extra territorial jurisdiction (ETJ)?
Entirely Partly Not at all

ETJs in which the District is located: City of Houston

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

If Yes, by whom? _____

* Gallons sold to Harris-Fort Bend County MUD 3

See accompanying auditors' report.

*Cimarron Municipal Utility District
TSI-2 General Fund Expenditures
For the Year Ended February 29, 2016*

Purchased services		<u>\$ 859,849</u>
Professional fees		
Legal		110,074
Engineering		82,328
Audit		11,700
		<u>204,102</u>
Contracted services		
Bookkeeping		21,038
Operator		78,007
Garbage collection		217,903
Tap connection and inspection		106,999
Tax assessor collector		2,941
Security		56,704
		<u>483,592</u>
Repairs and maintenance		<u>569,235</u>
Utilities		<u>122,867</u>
Regional Water Authority fees		<u>361,866</u>
Administrative		
Directors fees		19,650
Printing and office supplies		24,743
Insurance		27,517
Other		34,452
		<u>106,362</u>
Other		<u>16,122</u>
Economic development grant		<u>100,000</u>
Intergovernmental		<u>188,109</u>
Total expenditures		<u><u>\$ 3,012,104</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	1,391,733 kWh	\$ 172,629
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-3. Investments
February 29, 2016

<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>Interest Receivable</u>
General					
TexPool	0792100002	Variable	N/A	\$ 1,142,093	\$ -
Certificates of deposit	514927	0.60%	04/23/16	210,662	1,079
				<u>1,352,755</u>	<u>1,079</u>
Debt Service					
TexPool	0792100001	Variable	N/A	557,857	
Capital Projects					
TexPool	0792100003	Variable	N/A	946,584	
				<u>\$ 2,857,196</u>	<u>\$ 1,079</u>

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-4. Taxes Levied and Receivable
February 29, 2016

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 5,720	\$ 92,469	\$ 98,189	
Adjustments to Prior Year Tax Levy	(222)	(4,170)	(4,392)	
Adjustments to Reserve for Uncollectibles	(362)	(2,428)	(2,790)	
Adjusted Receivable	5,136	85,871	91,007	
2015 Original Tax Levy	523,483	2,224,805	2,748,288	
Adjustments	28,898	122,813	151,711	
Adjusted Tax Levy	552,381	2,347,618	2,899,999	
Total to be accounted for	557,517	2,433,489	2,991,006	
Tax collections:				
Current year	539,207	2,291,628	2,830,835	
Prior years	3,051	54,798	57,849	
Total Collections	542,258	2,346,426	2,888,684	
Taxes Receivable, End of Year	\$ 15,259	\$ 87,063	\$ 102,322	
Taxes Receivable, By Years				
2015	\$ 13,174	\$ 55,990	\$ 69,164	
2014	486	8,744	9,230	
2013	398	7,173	7,571	
2012 and prior	1,201	15,156	16,357	
Taxes Receivable, End of Year	\$ 15,259	\$ 87,063	\$ 102,322	
	2015	2014	2013	2012
Property Valuations:				
Land	\$ 260,986,597	\$ 215,767,502	\$ 173,268,193	\$ 167,506,456
Improvements	464,893,272	364,691,789	300,073,214	285,549,061
Personal Property	44,639,405	29,716,265	29,936,631	26,434,366
Exemptions	(80,043,437)	(74,829,252)	(53,106,650)	(50,640,026)
Total Property Valuations	\$ 690,475,837	\$ 535,346,304	\$ 450,171,388	\$ 428,849,857
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.08	\$ 0.03	\$ 0.03	\$ 0.03
Debt service tax rates	0.34	0.54	0.54	0.54
Total Tax Rates per \$100 Valuation	\$ 0.42	\$ 0.57	\$ 0.57	\$ 0.57
Adjusted Tax Levy:	\$ 2,899,999	\$ 3,051,474	\$ 2,565,977	\$ 2,444,444
Percentage of Taxes Collected to Taxes Levied **	97.62%	99.70%	99.70%	99.77%

* Maximum Maintenance Tax Rate Approved by Voters: \$0.25 on January 25, 1977

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

See accompanying auditors' report.

*Cimarron Municipal Utility District
 TSI-5. Long-Term Debt Service Requirements
 Series 2010--by Years
 February 29, 2016*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2017	\$ 125,000	\$ 189,963	\$ 314,963
2018	125,000	184,963	309,963
2019	130,000	179,963	309,963
2020	125,000	175,412	300,412
2021	130,000	171,038	301,038
2022	135,000	166,488	301,488
2023	135,000	161,762	296,762
2024	135,000	157,038	292,038
2025	135,000	152,312	287,312
2026	550,000	147,250	697,250
2027	580,000	126,626	706,626
2028	610,000	104,874	714,874
2029	645,000	82,000	727,000
2030	685,000	56,200	741,200
2031	720,000	28,800	748,800
	<u>\$ 4,965,000</u>	<u>\$ 2,084,688</u>	<u>\$ 7,049,688</u>

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2011--by Years
February 29, 2016

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2017	\$ 155,000	\$ 492,486	\$ 647,486
2018	165,000	486,286	651,286
2019	170,000	479,688	649,688
2020	180,000	472,888	652,888
2021	180,000	463,888	643,888
2022	190,000	453,988	643,988
2023	195,000	446,388	641,388
2024	205,000	438,588	643,588
2025	215,000	430,388	645,388
2026	220,000	421,788	641,788
2027	220,000	411,888	631,888
2028	220,000	402,538	622,538
2029	220,000	393,188	613,188
2030	220,000	383,562	603,562
2031	220,000	373,662	593,662
2032	1,320,000	363,212	1,683,212
2033	1,395,000	300,512	1,695,512
2034	1,475,000	234,250	1,709,250
2035	1,560,000	160,500	1,720,500
2036	1,650,000	82,500	1,732,500
	<u>\$ 10,375,000</u>	<u>\$ 7,692,188</u>	<u>\$ 18,067,188</u>

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2013--by Years
February 29, 2016

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2017	\$ 85,000	\$ 93,200	\$ 178,200
2018	90,000	91,500	181,500
2019	90,000	89,700	179,700
2020	95,000	87,788	182,788
2021	100,000	85,531	185,531
2022	105,000	82,906	187,906
2023	110,000	79,231	189,231
2024	115,000	75,381	190,381
2025	115,000	71,356	186,356
2026	120,000	67,331	187,331
2027	125,000	63,131	188,131
2028	130,000	58,756	188,756
2029	135,000	53,556	188,556
2030	145,000	48,156	193,156
2031	150,000	42,356	192,356
2032	155,000	36,356	191,356
2033	160,000	29,769	189,769
2034	170,000	22,969	192,969
2035	175,000	15,531	190,531
2036	180,000	7,875	187,875
	<u>\$ 2,550,000</u>	<u>\$ 1,202,381</u>	<u>\$ 3,752,381</u>

See accompanying auditors' report.

*Cimarron Municipal Utility District
 TSI-5. Long-Term Debt Service Requirements
 Series 2014 Refunding--by Years
 February 29, 2016*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2017	\$ 465,000	\$ 168,369	\$ 633,369
2018	480,000	159,069	639,069
2019	495,000	149,469	644,469
2020	515,000	139,569	654,569
2021	530,000	129,269	659,269
2022	550,000	116,019	666,019
2023	570,000	102,269	672,269
2024	595,000	85,169	680,169
2025	620,000	67,319	687,319
2026	240,000	48,719	288,719
2027	250,000	41,519	291,519
2028	260,000	34,018	294,018
2029	275,000	26,218	301,218
2030	280,000	17,968	297,968
2031	295,000	9,218	304,218
	<u>\$ 6,420,000</u>	<u>\$ 1,294,181</u>	<u>\$ 7,714,181</u>

See accompanying auditors' report.

*Cimarron Municipal Utility District
 TSI-5. Long-Term Debt Service Requirements
 Series 2015--by Years
 February 29, 2016*

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2017	\$ 175,000	\$ 161,263	\$ 336,263
2018	185,000	157,762	342,762
2019	195,000	154,063	349,063
2020	205,000	150,162	355,162
2021	210,000	146,063	356,063
2022	220,000	141,862	361,862
2023	230,000	137,463	367,463
2024	240,000	130,562	370,562
2025	255,000	123,363	378,363
2026	265,000	115,712	380,712
2027	275,000	107,763	382,763
2028	290,000	99,512	389,512
2029	305,000	90,813	395,813
2030	320,000	81,662	401,662
2031	330,000	72,063	402,063
2032	345,000	61,749	406,749
2033	365,000	50,538	415,538
2034	380,000	38,675	418,675
2035	395,000	26,325	421,325
2036	415,000	13,488	428,488
	<u>\$ 5,600,000</u>	<u>\$ 2,060,863</u>	<u>\$ 7,660,863</u>

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
February 29, 2016

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2017	\$ 1,005,000	\$ 1,105,281	\$ 2,110,281
2018	1,045,000	1,079,580	2,124,580
2019	1,080,000	1,052,883	2,132,883
2020	1,120,000	1,025,819	2,145,819
2021	1,150,000	995,789	2,145,789
2022	1,200,000	961,263	2,161,263
2023	1,240,000	927,113	2,167,113
2024	1,290,000	886,738	2,176,738
2025	1,340,000	844,738	2,184,738
2026	1,395,000	800,800	2,195,800
2027	1,450,000	750,927	2,200,927
2028	1,510,000	699,698	2,209,698
2029	1,580,000	645,775	2,225,775
2030	1,650,000	587,548	2,237,548
2031	1,715,000	526,099	2,241,099
2032	1,820,000	461,317	2,281,317
2033	1,920,000	380,819	2,300,819
2034	2,025,000	295,894	2,320,894
2035	2,130,000	202,356	2,332,356
2036	2,245,000	103,863	2,348,863
	<u>\$ 29,910,000</u>	<u>\$ 14,334,301</u>	<u>\$ 44,244,301</u>

See accompanying auditors' report.

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Cimarron Municipal Utility District
TSI-6. Change in Long-Term Bonded Debt
February 29, 2016

	Bond Issue			
	Series 2006	Series 2007	Series 2010	Series 2011
Interest rate	4.00%	4.00%	3.50% - 4.00%	4.00% - 5.50%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	3/1/07 - 3/1/16	3/1/09 - 3/1/16	3/1/12 - 3/1/31	3/1/16 - 3/1/36
Beginning bonds outstanding	\$ 235,000	\$ 150,000	\$ 5,090,000	\$ 10,525,000
Bonds issued				
Bonds retired	(235,000)	(150,000)	(125,000)	(150,000)
Ending bonds outstanding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,965,000</u>	<u>\$ 10,375,000</u>
Interest paid during fiscal year	<u>\$ 9,400</u>	<u>\$ 6,000</u>	<u>\$ 194,963</u>	<u>\$ 498,488</u>
Paying agent's name and city				
Series 2006, 2007 and 2010	<u>Wells Fargo Bank, N.A., Houston, Texas</u>			
Series 2011	<u>Wells Fargo Bank, N.A., Fort Worth, Texas</u>			
Series 2005 Refunding	<u>JP Morgan Chase, Dallas, Texas</u>			
Series 2013, 2014 Refunding and 2015	<u>Regions Bank, Houston, Texas</u>			
Bond Authority:	Water, Sewer and Drainage Bonds	Refunding Bonds		
Amount Authorized by Voters	\$ 50,670,000	\$ 6,000,000		
Amount Issued	(47,765,000)	(5,275,000)		
Remaining To Be Issued	<u>\$ 2,905,000</u>	<u>\$ 725,000</u>		

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

Debt Service Fund cash and temporary investments balances as of February 29, 2016: \$ 1,833,802

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 2,212,215

See accompanying auditors' report.

Bond Issue			
Series 2013	Series 2014 Refunding	Series 2015	Totals
2.00% - 4.375% 9/1; 3/1 3/1/16 - 3/1/36	2.00% - 3.125% 9/1; 3/1 3/1/15 - 3/1/31	2.00% - 3.25% 9/1; 3/1 3/1/16 - 3/1/36	
\$ 2,630,000	\$ 6,480,000	\$ -	\$ 25,110,000
		5,790,000	5,790,000
(80,000)	(60,000)	(190,000)	(990,000)
<u>\$ 2,550,000</u>	<u>\$ 6,420,000</u>	<u>\$ 5,600,000</u>	<u>\$ 29,910,000</u>
<u>\$ 94,800</u>	<u>\$ 169,569</u>	<u>\$ 82,531</u>	<u>\$ 1,055,751</u>

Cimarron Municipal Utility District
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Periods

	Amounts				
	2016	2015	2014**	2012	2011
Revenues					
Water service	\$ 571,751	\$ 503,607	\$ 677,412	\$ 528,124	\$ 549,211
Sewer service	637,281	530,503	672,565	398,310	423,049
Garbage service	241,982	279,673	376,801	266,141	304,785
Property taxes	534,724	164,111	263,392	159,404	240,616
Penalties and interest	40,445	39,949	73,209	22,269	47,544
Tap connection and inspection	266,009	166,779	465,425	10,910	105,653
City of Houston sales tax rebate	744,205	603,094	472,235	314,046	321,910
Regional Water Authority fees	721,371	581,974	802,874	487,765	556,906
Miscellaneous	13,478	11,831	24,087	7,035	8,526
Investment earnings	4,051	3,398	5,489	4,542	6,098
Total Revenues	3,775,297	2,884,919	3,833,489	2,198,546	2,564,298
Expenditures					
Current service operations					
Purchased services	859,849	717,081	1,114,420	761,661	635,722
Purchased services - adjustment					230,685
Professional fees	204,102	157,082	242,157	109,893	97,990
Contracted services	483,592	395,437	602,844	411,972	456,930
Repairs and maintenance	569,235	443,231	634,186	230,503	384,254
Utilities	122,867	117,800	153,608	125,269	131,995
Regional Water Authority fees	361,866	358,612	358,954	247,847	359,883
Administrative	106,362	88,648	180,359	128,909	154,563
Other	16,122	14,418			
Economic development grant	100,000	100,000			
Capital outlay		311,283	63,567		
Interest			999		
Intergovernmental	188,109				
Total Expenditures	3,012,104	2,703,592	3,351,094	2,016,054	2,452,022
Revenues Over Expenditures	\$ 763,193	\$ 181,327	\$ 482,395	\$ 182,492	\$ 112,276

*Percentage is negligible

**Seventeen month period

See accompanying auditors' report.

Percent of Fund Total Revenues

2016	2015	2014**	2012	2011
16%	18%	18%	25%	22%
17%	18%	18%	18%	16%
6%	10%	10%	12%	12%
14%	6%	7%	7%	9%
1%	1%	2%	1%	2%
7%	6%	12%	*	4%
20%	21%	12%	14%	13%
19%	20%	20%	23%	22%
*	*	1%	*	*
*	*	*	*	*
100%	100%	100%	100%	100%
23%	25%	29%	35%	25%
				9%
5%	5%	6%	5%	4%
13%	14%	16%	19%	18%
15%	15%	17%	10%	15%
3%	4%	4%	6%	5%
10%	12%	9%	11%	14%
3%	3%	5%	6%	6%
*	*			
3%	3%			
	11%	2%		
		*		
5%				
80%	92%	88%	92%	96%
20%	8%	12%	8%	4%

Cimarron Municipal Utility District
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Periods

	Amounts				
	2016	2015	2014**	2012	2011
Revenues					
Property taxes	\$ 2,215,879	\$ 2,953,443	\$ 4,735,495	\$ 2,105,090	\$ 1,802,829
Penalties and interest	12,636	19,330	21,938	14,535	16,663
Accrued interest on bonds sold	13,297	10,491	3,423		41,051
Miscellaneous		12,835			
Investment earnings	2,221	2,384	11,064	6,332	8,919
Total Revenues	2,244,033	2,998,483	4,771,920	2,125,957	1,869,462
Expenditures					
Tax collection services	58,449	49,935	70,071	47,346	47,236
Debt service					
Principal	990,000	1,795,000	3,200,000	1,440,000	1,380,000
Interest and fees	1,059,413	1,179,481	1,742,593	1,275,146	726,161
Debt issuance costs	1,500	174,605			
Early extinguishment of debt		10,000			
Total Expenditures	2,109,362	3,209,021	5,012,664	2,762,492	2,153,397
Revenues Over/(Under) Expenditures	\$ 134,671	\$ (210,538)	\$ (240,744)	\$ (636,535)	\$ (283,935)
Total Active Retail Water Connections	1,604	1,596	1,573	1,564	1,565
Total Active Retail Wastewater Connections	1,545	1,534	1,514	1,510	1,507

*Percentage is negligible

**Seventeen month period

See accompanying auditors' report.

Percent of Fund Total Revenues

2016	2015	2014**	2012	2011
98%	99%	99%	99%	97%
1%	1%	1%	1%	1%
1%	*	*		2%
	*			
*	*	*	*	*
100%	100%	100%	100%	100%
3%	2%	1%	2%	3%
44%	60%	67%	68%	74%
47%	39%	37%	60%	39%
*	6%			
	*			
94%	107%	105%	130%	116%
6%	(7%)	(5%)	(30%)	(16%)

***Cimarron Municipal Utility District
TSI-8. Board Members, Key Personnel and Consultants
February 29, 2016***

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027

District Business Telephone Number: (713) 860-6400

Submission Date of the most recent District Registration Form

(TWC Sections 36.054 and 49.054): May 18, 2016

Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200

(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Jeff A. Dillard	5/14 to 5/18	\$ 5,250	\$ 260	President
Richard May	5/16 to 5/20	1,800	260	Vice President
David F. Jones	5/14 to 5/18	1,800	396	Secretary
David Aitken	5/16 to 5/20	7,200	2,156	Assistant Secretary
John Linn	5/16 to 5/20	3,600	988	Assistant Vice President
Consultants				
		<u>Amounts Paid</u>		
Allen Boone Humphries Robinson LLP	2003			Attorney
<i>General legal fees</i>		\$ 101,565		
<i>Bond counsel</i>		156,164		
Si Environmental, LLC	2012	628,810		Operator
McLennan & Associates	2004	32,178		Bookkeeper
Bob Leared Interests	1977	21,717		Tax Collector
Harris County Appraisal District	Legislature	24,031		Property Valuation
Fort Bend Central Appraisal District	Legislature	1,330		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	1996	2,521		Delinquent Tax Attorney
Van De Wiele Engineering, Inc.	1997	104,263		Engineer
McGrath & Co., PLLC	Annual	19,700		Auditor
Robert W. Baird & Co.	2015	118,633		Financial Advisor

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