

**CIMARRON MUNICIPAL
UTILITY DISTRICT**

HARRIS AND FORT BEND COUNTIES, TEXAS

FINANCIAL REPORT

February 28, 2015

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Table of Contents

| | <u>Schedule</u> | <u>Page</u> |
|---|-----------------|-------------|
| Independent Auditors' Report | | 1 |
| Management's Discussion and Analysis | | 5 |
| BASIC FINANCIAL STATEMENTS | | |
| Statement of Net Position and Governmental Funds Balance Sheet | | 14 |
| Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances | | 16 |
| Notes to Basic Financial Statements | | 19 |
| REQUIRED SUPPLEMENTARY INFORMATION | | |
| Budgetary Comparison Schedule – General Fund | | 38 |
| Budgetary Comparison Schedule – Special Revenue Fund | | 39 |
| Notes to Required Supplementary Information | | 40 |
| TEXAS SUPPLEMENTARY INFORMATION | | |
| Services and Rates | TSI-1 | 42 |
| General Fund Expenditures | TSI-2 | 44 |
| Investments | TSI-3 | 45 |
| Taxes Levied and Receivable | TSI-4 | 46 |
| Long-Term Debt Service Requirements by Years | TSI-5 | 47 |
| Change in Long-Term Bonded Debt | TSI-6 | 54 |
| Comparative Schedule of Revenues and Expenditures – General Fund | TSI-7a | 56 |
| Comparative Schedule of Revenues and Expenditures – Debt Service Fund | TSI-7b | 58 |
| Board Members, Key Personnel and Consultants | TSI-8 | 60 |

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Independent Auditors' Report

Board of Directors
Cimarron Municipal Utility District
Harries 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 28, 2015, 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 Cimarron Municipal Utility District, as of February 28, 2015, 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. Gauthier & Co., P.C.

Houston, Texas
June 17, 2015

Management's Discussion and Analysis

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***Cimarron Municipal Utility District
Management's Discussion and Analysis
February 28, 2015***

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 28, 2015. 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 28, 2015***

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 28, 2015, was negative \$5,648,755. A comparative summary of the District's overall financial position, as of February 28, 2015 and 2014, is as follows:

| | 2015 | 2014 |
|--|-----------------------|-----------------------|
| Current and other assets | \$ 6,142,481 | \$ 6,382,382 |
| Capital assets | 17,529,912 | 15,416,995 |
| Total assets | <u>23,672,393</u> | <u>21,799,377</u> |
| Total deferred outflows of resources | <u>150,851</u> | <u>5,726</u> |
| Current liabilities | 5,616,725 | 3,925,558 |
| Long-term liabilities | 23,855,274 | 24,266,878 |
| Total liabilities | <u>29,471,999</u> | <u>28,192,436</u> |
| Net position | | |
| Net investment in capital assets | (8,153,035) | (9,293,885) |
| Restricted | 1,796,718 | 1,689,183 |
| Unrestricted | 707,562 | 1,217,369 |
| Total net position | <u>\$ (5,648,755)</u> | <u>\$ (6,387,333)</u> |

***Cimarron Municipal Utility District
Management's Discussion and Analysis
February 28, 2015***

The total net position of the District increased by \$738,578. A comparative summary of the District's *Statement of Activities* for the past two periods is as follows:

| | <u>2015</u> | <u>2014*</u> |
|---|-----------------------|-----------------------|
| Revenues | | |
| Property taxes, penalties and interest | \$ 3,179,061 | \$ 5,156,889 |
| Water and sewer | 1,034,110 | 1,349,977 |
| Other | 2,095,306 | 3,147,628 |
| Total revenues | <u>6,308,477</u> | <u>9,654,494</u> |
| Expenses | | |
| Current service operations | 2,916,008 | 4,365,209 |
| Interest and fees | 1,211,472 | 1,691,586 |
| Debt issuance costs | 185,234 | 180,967 |
| Depreciation | 339,511 | 441,375 |
| Total expenses | <u>4,652,225</u> | <u>6,679,137</u> |
| Change in net position before other items | 1,656,252 | 2,975,357 |
| Other items | | |
| Transfers to other governments | (746,936) | |
| Reduction in capital asset values | (193,581) | |
| Insurance recovery | 22,843 | |
| Change in net position | 738,578 | 2,975,357 |
| Net position, beginning of year | (6,387,333) | (9,362,690) |
| Net position, end of year | <u>\$ (5,648,755)</u> | <u>\$ (6,387,333)</u> |

*Seventeen month period ended February 28, 2014

Financial Analysis of the District's Funds

The District's combined fund balances, as of February 28, 2015, were \$5,352,473, which consists of \$2,385,328 in the General Fund, \$1,685,758 in the Debt Service Fund and \$1,281,387 in the Capital Projects Fund.

***Cimarron Municipal Utility District
Management's Discussion and Analysis
February 28, 2015***

General Fund

Comparative summaries of the General Fund's financial position and activities for the current twelve month period and prior seventeen month period are as follows:

| | 2015 | 2014 |
|--|---------------------|---------------------|
| Total assets | <u>\$ 2,787,440</u> | <u>\$ 2,513,247</u> |
| Total liabilities | \$ 302,754 | \$ 270,137 |
| Total deferred inflows | 99,358 | 61,952 |
| Total fund balance | <u>2,385,328</u> | <u>2,181,158</u> |
| Total liabilities, deferred inflows and fund balance | <u>\$ 2,787,440</u> | <u>\$ 2,513,247</u> |
| | | |
| Total revenues | \$ 2,884,919 | \$ 3,833,489 |
| Total expenditures | <u>(2,703,592)</u> | <u>(3,351,094)</u> |
| Revenues over expenditures | 181,327 | 482,395 |
| Other item | 22,843 | |
| Net change in fund balance | <u>\$ 204,170</u> | <u>\$ 482,395</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 year and prior period has increased.

Debt Service Fund

Comparative summaries of the financial position and activities of the Debt Service Fund for the current twelve month period and prior seventeen month period are as follows:

| | 2015 | 2014 |
|--|---------------------|---------------------|
| Total assets | <u>\$ 1,810,960</u> | <u>\$ 1,702,984</u> |
| Total liabilities | \$ 14,242 | \$ 13,801 |
| Total deferred inflows | 110,960 | 108,674 |
| Total fund balance | <u>1,685,758</u> | <u>1,580,509</u> |
| Total liabilities, deferred inflows and fund balance | <u>\$ 1,810,960</u> | <u>\$ 1,702,984</u> |
| | | |
| Total revenues | \$ 2,998,483 | \$ 4,771,920 |
| Total expenditures | <u>(3,209,021)</u> | <u>(5,012,664)</u> |
| Revenues under expenditures | (210,538) | (240,744) |
| Net other financing sources and uses | 315,787 | |
| Net change in fund balance | <u>\$ 105,249</u> | <u>\$ (240,744)</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

***Cimarron Municipal Utility District
Management’s Discussion and Analysis
February 28, 2015***

requirements will result in changes in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

During the current year, the District issued \$6,585,000 in refunding bonds and contributed \$10,000 in existing financial resources to refund \$6,260,000 of its outstanding Series 2006 and Series 2007 bonds. This refunding will save the District \$489,889 in future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund’s financial position and activities for the current twelve month period and prior seventeen month period are as follows:

| | 2015 | 2014 |
|--------------------------------------|---------------------|---------------------|
| Total assets | <u>\$ 1,469,439</u> | <u>\$ 2,094,847</u> |
| Total liabilities | \$ 188,052 | \$ 360,778 |
| Total fund balance | <u>1,281,387</u> | <u>1,734,069</u> |
| Total liabilities and fund balance | <u>\$ 1,469,439</u> | <u>\$ 2,094,847</u> |
| | | |
| Total revenues | \$ 3,339 | \$ 195,748 |
| Total expenditures | <u>(456,021)</u> | <u>(1,057,376)</u> |
| Revenues under expenditures | (452,682) | (861,628) |
| Net other financing sources and uses | | 2,571,351 |
| Net change in fund balance | <u>\$ (452,682)</u> | <u>\$ 1,709,723</u> |

The District did not have any significant capital asset activity in the current year, but sold bonds in the prior period.

***Cimarron Municipal Utility District
Management's Discussion and Analysis
February 28, 2015***

Special Revenue Fund

Changes in the Special Revenue Fund for the current twelve month period and prior seventeen month period are as follows:

| | 2015 | 2014 |
|------------------------------------|-------------------|-------------------|
| Total assets | <u>\$ 156,196</u> | <u>\$ 152,858</u> |
| Total liabilities | <u>\$ 156,196</u> | <u>\$ 152,858</u> |
| Total revenues | \$ 392,536 | \$ 737,730 |
| Total expenditures | <u>(392,536)</u> | <u>(737,730)</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 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 \$7,349 greater than budgeted. The *Budgetary Comparison Schedule* on page 38 of this report provides variance information per financial statement line item.

*Cimarron Municipal Utility District
Management's Discussion and Analysis
February 28, 2015*

Capital Assets

Capital assets held by the District at February 28, 2015 and 2014 are summarized as follows:

| | 2015 | 2014 |
|--------------------------------------|---------------|---------------|
| Capital assets not being depreciated | | |
| Land and improvements | \$ 8,073,947 | \$ 6,636,930 |
| Construction in progress | 362,829 | 605,029 |
| | 8,436,776 | 7,241,959 |
| Capital assets being depreciated | | |
| Infrastructure | 12,368,783 | 11,523,956 |
| Investment in regional facilities | 2,497,157 | 2,084,373 |
| | 14,865,940 | 13,608,329 |
| Less accumulated depreciation | | |
| Infrastructure | (5,512,986) | (5,228,967) |
| Investment in regional facilities | (259,818) | (204,326) |
| | (5,772,804) | (5,433,293) |
| Depreciable capital assets, net | 9,093,136 | 8,175,036 |
| Capital assets, net | \$ 17,529,912 | \$ 15,416,995 |

Capital asset additions during the current year consist of the following:

- Purchase of generator for Water Plant No. 3
- Kingsland Boulevard and Grand Parkway landscaping
- Sanitary sewer extension
- Grant Crossings, Phase I – water, sewer and drainage
- Grant Crossings, Phase II – water, sewer and drainage
- Grand Crossing Detention Pond, Phase II

The District's construction in progress is for the construction of Water Plant No. 1 improvements and Lift Stations No. 1 and 2 improvements.

Harris County assumes responsibility for certain storm sewer systems constructed in public streets within the county. Consequently, these projects are not recorded as capital assets on the District's financial statements, but are recorded as transfers to other governments upon completion of construction. For the year ended February 28, 2015, capital assets in the amount of \$746,936 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 9.

*Cimarron Municipal Utility District
 Management's Discussion and Analysis
 February 28, 2015*

Long-Term Debt

At February 28, 2015 and 2014, the District had total bonded debt outstanding as shown below:

| Series | 2015 | 2014 |
|----------------|---------------|---------------|
| 2005 Refunding | \$ - | \$ 1,320,000 |
| 2006 | 235,000 | 3,270,000 |
| 2007 | 150,000 | 3,735,000 |
| 2010 | 5,090,000 | 5,100,000 |
| 2011 | 10,525,000 | 10,525,000 |
| 2013 | 2,630,000 | 2,630,000 |
| 2014 Refunding | 6,480,000 | |
| | \$ 25,110,000 | \$ 26,580,000 |

During the year, the District issued \$6,585,000 in unlimited tax refunding bonds. At February 28, 2015, the District had \$8,695,000 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:

| | 2014 Actual | 2016 Budget |
|----------------------------|--------------|--------------|
| Total revenues | \$ 2,884,919 | \$ 2,621,120 |
| Total expenditures | (2,703,592) | (2,599,657) |
| Revenues over expenditures | 181,327 | 21,463 |
| Other item | 22,843 | |
| Net change in fund balance | 204,170 | 21,463 |
| Beginning fund balance | 2,181,158 | 2,385,328 |
| Ending fund balance | \$ 2,385,328 | \$ 2,406,791 |

Basic Financial Statements

Cimarron Municipal Utility District
Statement of Net Position and Governmental Funds Balance Sheet
February 28, 2015

| | General Fund | Debt Service Fund | Capital Projects Fund | Special Revenue Fund | Total |
|---|---------------------|-------------------------|-----------------------------|----------------------------|---------------------|
| Assets | | | | | |
| Cash | \$ 1,395,612 | \$ 1,364,960 | \$ 1,760,604 | \$ 122,174 | \$ 4,643,350 |
| Investments | 585,895 | 328,184 | 579 | | 914,658 |
| Taxes receivable, net | 5,720 | 110,960 | | | 116,680 |
| Customer service receivables, net | 151,439 | | | | 151,439 |
| Due from City of Houston | 214,347 | | | | 214,347 |
| Internal balances | 254,536 | 6,856 | (291,744) | 30,352 | |
| Interest receivable | 893 | | | | 893 |
| Due from other districts | | | | 3,670 | 3,670 |
| Operating Reserve - West Memorial Treatment Plant | 97,444 | | | | 97,444 |
| Operating Reserve - water plant | 81,554 | | | | 81,554 |
| Capital assets not being depreciated | | | | | |
| Capital assets, net | | | | | |
| Total Assets | \$ 2,787,440 | \$ 1,810,960 | \$ 1,469,439 | \$ 156,196 | \$ 6,224,035 |
| Deferred Outflows of Resources | | | | | |
| Deferred difference on refunding | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 185,569 | \$ 14,242 | \$ 160,495 | \$ 30,805 | \$ 391,111 |
| Retainage payable | | | 27,557 | | 27,557 |
| Other payables | 100,000 | | | | 100,000 |
| Operating reserve | | | | 125,391 | 125,391 |
| Customer deposits | 12,000 | | | | 12,000 |
| Builder deposits | 5,185 | | | | 5,185 |
| Due to developers | | | | | |
| Long-term debt | | | | | |
| Due within one year | | | | | |
| Due after one year | | | | | |
| Total Liabilities | 302,754 | 14,242 | 188,052 | 156,196 | 661,244 |
| Deferred Inflows of Resources | | | | | |
| Deferred property taxes | 5,720 | 110,960 | | | 116,680 |
| Deferred City of Houston sales tax | 93,638 | | | | 93,638 |
| | 99,358 | 110,960 | | | 210,318 |
| Fund Balances/Net Position | | | | | |
| Fund Balances | | | | | |
| Nonspendable | 178,998 | | | | 178,998 |
| Restricted | | 1,685,758 | 1,281,387 | | 2,967,145 |
| Unassigned | 2,206,330 | | | | 2,206,330 |
| Total Fund Balances | 2,385,328 | 1,685,758 | 1,281,387 | | 5,352,473 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 2,787,440 | \$ 1,810,960 | \$ 1,469,439 | \$ 156,196 | \$ 6,224,035 |
| 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 |
|-----------------------|------------------------------|
| \$ - | \$ 4,643,350 |
| | 914,658 |
| | 116,680 |
| | 151,439 |
| | 214,347 |
| | 893 |
| | 3,670 |
| | 97,444 |
| (81,554) | |
| 8,436,776 | 8,436,776 |
| 9,093,136 | 9,093,136 |
| <u>17,448,358</u> | <u>23,672,393</u> |
| 150,851 | 150,851 |
| | 391,111 |
| | 27,557 |
| | 100,000 |
| (81,554) | 43,837 |
| | 12,000 |
| | 5,185 |
| 4,237,035 | 4,237,035 |
| 800,000 | 800,000 |
| 23,855,274 | 23,855,274 |
| <u>28,810,755</u> | <u>29,471,999</u> |
| (116,680) | |
| <u>(93,638)</u> | |
| <u>(210,318)</u> | |
| (178,998) | |
| (2,967,145) | |
| <u>(2,206,330)</u> | |
| <u>(5,352,473)</u> | |
| (8,153,035) | (8,153,035) |
| 1,796,718 | 1,796,718 |
| 707,562 | 707,562 |
| <u>\$ (5,648,755)</u> | <u>\$ (5,648,755)</u> |

Cimarron Municipal Utility District

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances

For the Year Ended February 28, 2015

| | General Fund | Debt Service Fund | Capital Projects Fund | Special Revenue Fund | Total |
|--|---------------------|-------------------------|-----------------------------|----------------------------|---------------------|
| Revenues | | | | | |
| Water service | \$ 503,607 | \$ - | \$ - | \$ - | \$ 503,607 |
| Sewer service | 530,503 | | | | 530,503 |
| Garbage service | 279,673 | | | | 279,673 |
| Property taxes | 164,111 | 2,953,443 | | | 3,117,554 |
| Water supply | | | | 392,458 | 392,458 |
| Penalties and interest | 39,949 | 19,330 | | | 59,279 |
| Tap connection and inspection | 166,779 | | | | 166,779 |
| City of Houston sales tax rebate | 603,094 | | | | 603,094 |
| Regional Water Authority fees | 581,974 | | | | 581,974 |
| Accrued interest on bonds sold | | 10,491 | | | 10,491 |
| Miscellaneous | 15,229 | 15,219 | 3,339 | 78 | 33,865 |
| Total Revenues | 2,884,919 | 2,998,483 | 3,339 | 392,536 | 6,279,277 |
| Expenditures/Expenses | | | | | |
| Current service operations | | | | | |
| Purchased services | 717,081 | | | | 717,081 |
| Professional fees | 157,082 | | 35,358 | 2,500 | 194,940 |
| Contracted services | 395,437 | 46,146 | | 11,926 | 453,509 |
| Repairs and maintenance | 443,231 | | 46,312 | 39,067 | 528,610 |
| Utilities | 117,800 | | | 43,938 | 161,738 |
| Regional Water Authority fees | 358,612 | | | 278,465 | 637,077 |
| Administrative | 88,648 | 3,789 | 367 | 12,081 | 104,885 |
| Other | 14,418 | | | 3,750 | 18,168 |
| Economic development grant | 100,000 | | | | 100,000 |
| Capital outlay | 311,283 | | 363,355 | 809 | 675,447 |
| Debt service | | | | | |
| Principal | | 1,795,000 | | | 1,795,000 |
| Interest and fees | | 1,179,481 | | | 1,179,481 |
| Debt issuance costs | | 174,605 | 10,629 | | 185,234 |
| Early extinguishment of debt | | 10,000 | | | 10,000 |
| Depreciation | | | | | |
| Total Expenditures/Expenses | 2,703,592 | 3,209,021 | 456,021 | 392,536 | 6,761,170 |
| Revenues Over/(Under) Expenditures/Expenses | | | | | |
| | 181,327 | (210,538) | (452,682) | | (481,893) |
| Other Financing Sources/(Uses) | | | | | |
| Proceeds from sale of refunding bonds | | 6,585,000 | | | 6,585,000 |
| Bond discount | | (57,616) | | | (57,616) |
| Bond premium | | 38,403 | | | 38,403 |
| Debt service - principal | | (6,250,000) | | | (6,250,000) |
| Other Items | | | | | |
| Transfers to other governments | | | | | |
| Reduction in capital asset values | | | | | |
| Insurance recovery | 22,843 | | | | 22,843 |
| Net Change in Fund Balances | 204,170 | 105,249 | (452,682) | | (143,263) |
| Change in Net Position | | | | | |
| Fund Balance/Net Position | | | | | |
| Beginning of the period | 2,181,158 | 1,580,509 | 1,734,069 | | 5,495,736 |
| End of the period | \$ 2,385,328 | \$ 1,685,758 | \$ 1,281,387 | \$ - | \$ 5,352,473 |

See notes to basic financial statements.

| Adjustments | Statement of Activities |
|------------------------|----------------------------|
| \$ - | \$ 503,607 |
| | 530,503 |
| | 279,673 |
| 1,399 | 3,118,953 |
| | 392,458 |
| 829 | 60,108 |
| | 166,779 |
| 37,463 | 640,557 |
| | 581,974 |
| (10,491) | |
| | 33,865 |
| <u>29,200</u> | <u>6,308,477</u> |
| | 717,081 |
| | 194,940 |
| | 453,509 |
| | 528,610 |
| | 161,738 |
| | 637,077 |
| | 104,885 |
| | 18,168 |
| | 100,000 |
| (675,447) | |
| (1,795,000) | |
| 31,991 | 1,211,472 |
| | 185,234 |
| (10,000) | |
| 339,511 | 339,511 |
| <u>(1,917,474)</u> | <u>4,652,225</u> |
| 2,138,145 | 1,656,252 |
| (6,585,000) | |
| 57,616 | |
| (38,403) | |
| 6,250,000 | |
| (746,936) | (746,936) |
| (193,581) | (193,581) |
| | 22,843 |
| 143,263 | |
| 738,578 | 738,578 |
| (11,883,069) | (6,387,333) |
| <u>\$ (11,001,228)</u> | <u>\$ (5,648,755)</u> |

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***Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 28, 2015***

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.

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 12 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.

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 28, 2015, allowances of \$10,000 and \$10,163 were provided for possible uncollectible water/sewer accounts and property taxes, respectively.

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

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, which primarily consist of land and improvements, water, wastewater and drainage facilities and investments in regional facilities, are reported in the government-wide financial 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 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 the result of refunding bond transactions 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 28, 2015*

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 capital assets transferred to Harris County; the value of amounts due to developers and the value of capital assets for which the developers have 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 28, 2015

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 | \$ | 5,352,473 |
|--|----|-----------|

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

| | | |
|-------------------------------|--------------------|------------|
| Historical cost | \$ 23,302,716 | |
| Less accumulated depreciation | <u>(5,772,804)</u> | |
| Change due to capital assets | | 17,529,912 |

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 *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.

150,851

Amounts due to the District's developers for prefunded construction are recorded as a liability in the *Statement of Net Position*.

(4,237,035)

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.

(24,655,274)

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

| | | |
|------------------------------------|---------------|---------|
| Property taxes | 116,680 | |
| City of Houston sales tax receipts | <u>93,638</u> | |
| | | 210,318 |

| | | |
|--|-----------|--------------------|
| Total net position - governmental activities | <u>\$</u> | <u>(5,648,755)</u> |
|--|-----------|--------------------|

***Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 28, 2015***

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 \$ (143,263)

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for:

| | | |
|---|----------|--------|
| Property taxes and related penalties and interest | \$ 2,228 | |
| City of Houston sales tax rebates | 37,463 | |
| | | 39,691 |

Governmental funds report capital outlays for construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of long-term assets is capitalized and charged to expense over the estimated useful life of the asset.

| | | |
|----------------------|-----------|---------|
| Capital outlays | 675,447 | |
| Depreciation expense | (339,511) | |
| | | 335,936 |

Reductions in capital asset values do not use financial resources in the funds, but are recorded as an expense in the government-wide statements. (193,581)

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.

| | | |
|------------------------------|-------------|-----------|
| Issuance of long term debt | (6,585,000) | |
| Principal payments | 8,045,000 | |
| Early extinguishment of debt | 10,000 | |
| Bond discount | 57,616 | |
| Bond premium | (38,403) | |
| Interest expense accrual | (42,482) | |
| | | 1,446,731 |

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

(746,936)

| | | |
|---|--|------------|
| Change in net position of governmental activities | | \$ 738,578 |
|---|--|------------|

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.

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.

*Cimarron Municipal Utility District
 Notes to Basic Financial Statements
 February 28, 2015*

Note 3 – Deposits and Investments (continued)

As of February 28, 2015, the District’s investments consist of the following:

| Type | Fund | Carrying Value | Percentage of Total | Rating | Weighted Average Maturity |
|-------------------------|------------------|-------------------|---------------------|--------|---------------------------|
| Certificates of deposit | General | \$ 209,615 | 23% | N/A | N/A |
| TexPool | General | 376,280 | | AAAm | 75 days |
| | Debt Service | 328,184 | | | |
| | Capital Projects | 579 | | | |
| | | <u>705,043</u> | <u>77%</u> | | |
| Total | | <u>\$ 914,658</u> | <u>100%</u> | | |

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

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.

Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 28, 2015

Note 4 – Amounts Due to/from Other Funds

Amounts due to/from other funds at February 28, 2015, consist of the following:

| | Interfund | |
|-----------------------|-------------------|-------------------|
| | Receivable | Payable |
| General Fund | \$ 293,266 | \$ 38,730 |
| Debt Service Fund | 6,856 | |
| Capital Projects Fund | | 291,744 |
| Special Revenue Fund | 30,352 | |
| | <u>\$ 330,474</u> | <u>\$ 330,474</u> |

Amounts reported as due to/from between funds are considered temporary loans needed for normal operations and will be repaid during the following fiscal year.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended February 28, 2015, follows:

| | Beginning Balances | Additions/ Adjustments | Ending Balances |
|--|-----------------------|---------------------------|----------------------|
| Capital assets not being depreciated | | | |
| Land and improvements | \$ 6,636,930 | \$ 1,437,017 | \$ 8,073,947 |
| Construction in progress | 605,029 | (242,200) | 362,829 |
| | <u>7,241,959</u> | <u>1,194,817</u> | <u>8,436,776</u> |
| Capital assets being depreciated | | | |
| Infrastructure | 11,523,956 | 844,827 | 12,368,783 |
| Investment in regional facilities | 2,084,373 | 412,784 | 2,497,157 |
| | <u>13,608,329</u> | <u>1,257,611</u> | <u>14,865,940</u> |
| Less accumulated depreciation | | | |
| Infrastructure | (5,228,967) | (284,019) | (5,512,986) |
| Investment in regional facilities | (204,326) | (55,492) | (259,818) |
| | <u>(5,433,293)</u> | <u>(339,511)</u> | <u>(5,772,804)</u> |
| Subtotal depreciable capital assets, net | <u>8,175,036</u> | <u>918,100</u> | <u>9,093,136</u> |
| Capital assets, net | <u>\$ 15,416,995</u> | <u>\$ 2,112,917</u> | <u>\$ 17,529,912</u> |

Depreciation expense for the current year was \$339,511. During the current year, the District reduced the value of investment in regional facilities to reflect contributions made by Harris-Fort Bend Municipal Utility District No. 3 for the purchase of a generator.

Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 28, 2015

Note 5 – Capital Assets (continued)

The District has construction commitments in the amount of \$907,935 for District funded capital activity as follows:

| | Contract Amount | Amounts Paid | Remaining Commitment |
|--------------------------------------|---------------------|-------------------|-------------------------|
| Water Plant No. 1 improvements | \$ 920,000 | \$ 137,575 | \$ 782,425 |
| Lift Stations No. 1 & 2 improvements | 263,500 | 137,990 | 125,510 |
| | <u>\$ 1,183,500</u> | <u>\$ 275,565</u> | <u>\$ 907,935</u> |

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 | \$ 1,519,538 |
| New developer funded construction | 2,717,497 |
| Due to developers, end of year | <u>\$ 4,237,035</u> |

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

| | |
|-----------------------|----------------------|
| Bonds payable | \$ 25,110,000 |
| Unamortized discounts | (492,662) |
| Unamortized premium | 37,936 |
| | <u>\$ 24,655,274</u> |
| Due within one year | <u>\$ 800,000</u> |

Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 28, 2015

Note 7 – Long-Term Debt (continued)

The District’s bonds payable at February 28, 2015, consists of unlimited tax bonds as follows:

| Series | Amounts Outstanding | Original Issue | Interest Rates | Maturity Date, Serially, Beginning/ Ending | Interest Payment Dates | Call Dates |
|-------------------|------------------------|-------------------|-------------------|---|------------------------------|------------------|
| 2006 | \$ 235,000 | \$ 4,670,000 | 4.00% | March 1, 2007/2016 | September 1, March 1 | March 1, 2016 |
| 2007 | 150,000 | 4,450,000 | 4.00% | March 1, 2009/2016 | September 1, March 1 | March 1, 2016 |
| 2010 | 5,090,000 | 5,130,000 | 3.50% - 4.00% | March 1, 2012/2031 | September 1, March 1 | March 1, 2018 |
| 2011 | 10,525,000 | 10,525,000 | 4.00% - 5.50% | March 1, 2016/2036 | September 1, March 1 | March 1, 2019 |
| 2013 | 2,630,000 | 2,630,000 | 2.00% - 4.375% | March 1, 2016/2036 | September 1, March 1 | March 1, 2021 |
| 2014 Refunding | 6,480,000 | 6,585,000 | 2.00% - 3.125% | March 1, 2015/2031 | September 1, March 1 | March 1, 2023 |
| | <u>\$ 25,110,000</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 28, 2015, the District had authorized but unissued bonds in the amount of \$8,695,000 for water, sewer and drainage facilities and \$725,000 for refunding purposes.

On December 23, 2014, the District issued its \$6,585,000 Unlimited Tax Refunding Bonds at a net effective interest rate of 3.245125% to currently refund \$6,260,000 of outstanding Series 2006 and Series 2007 bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately \$489,889 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$376,991. Proceeds of the bonds were placed in an irrevocable trust for the purpose of generating resources for the debt service payments through March 1, 2015, the redemption date of the bonds. As of February 28, 2015, the outstanding principal of defeased bonds is \$6,260,000.

Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 28, 2015

Note 7 – Long-Term Debt (continued)

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

| | |
|------------------------------------|-----------------------------|
| Bonds payable, beginning of period | \$ 26,580,000 |
| Bonds issued | 6,585,000 |
| Bonds retired | (1,795,000) |
| Bonds refunded | (6,260,000) |
| Bonds payable, end of period | <u><u>\$ 25,110,000</u></u> |

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 28, 2015, annual debt service requirements on bonds outstanding are as follows:

| Year | Principal | Interest | Totals |
|------|-----------------------------|-----------------------------|-----------------------------|
| 2016 | \$ 800,000 | \$ 973,218 | \$ 1,773,218 |
| 2017 | 830,000 | 944,018 | 1,774,018 |
| 2018 | 860,000 | 921,818 | 1,781,818 |
| 2019 | 885,000 | 898,820 | 1,783,820 |
| 2020 | 915,000 | 875,657 | 1,790,657 |
| 2021 | 940,000 | 849,726 | 1,789,726 |
| 2022 | 980,000 | 819,401 | 1,799,401 |
| 2023 | 1,010,000 | 789,650 | 1,799,650 |
| 2024 | 1,050,000 | 756,176 | 1,806,176 |
| 2025 | 1,085,000 | 721,375 | 1,806,375 |
| 2026 | 1,130,000 | 685,088 | 1,815,088 |
| 2027 | 1,175,000 | 643,164 | 1,818,164 |
| 2028 | 1,220,000 | 600,186 | 1,820,186 |
| 2029 | 1,275,000 | 554,962 | 1,829,962 |
| 2030 | 1,330,000 | 505,886 | 1,835,886 |
| 2031 | 1,385,000 | 454,036 | 1,839,036 |
| 2032 | 1,475,000 | 399,568 | 1,874,568 |
| 2033 | 1,555,000 | 330,281 | 1,885,281 |
| 2034 | 1,645,000 | 257,219 | 1,902,219 |
| 2035 | 1,735,000 | 176,031 | 1,911,031 |
| 2036 | 1,830,000 | 90,375 | 1,920,375 |
| | <u><u>\$ 25,110,000</u></u> | <u><u>\$ 13,246,655</u></u> | <u><u>\$ 38,356,655</u></u> |

***Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 28, 2015***

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.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2015 fiscal year was financed through the 2014 tax levy, pursuant to which the District levied property taxes of \$0.57 per \$100 of assessed value, of which \$0.03 was allocated to maintenance and operations and \$0.54 was allocated to debt service. The resulting tax levy was \$3,157,846 on the adjusted taxable value of \$554,008,141.

Net property taxes receivable, at February 28, 2015, consisted of the following:

| | |
|---|--------------------------|
| Current year taxes receivable | \$ 63,644 |
| Prior years taxes receivable | 44,708 |
| Less allowance for uncollectible accounts | (10,163) |
| | <u>98,189</u> |
| Penalty and interest receivable | 18,491 |
| Net property taxes receivable | <u><u>\$ 116,680</u></u> |

Note 9 – Transfers to Other Governments

Harris County assumes responsibility for the maintenance of storm sewer systems constructed in public streets. Accordingly, the District records these systems as transfers to other governments in the *Statement of Activities*, rather than capitalizing these systems on the *Statement of Net Position*. For the year ended February 28, 2015, the District recorded \$746,936 in transfers to other governments for storm sewer systems.

*Cimarron Municipal Utility District
 Notes to Basic Financial Statements
 February 28, 2015*

Note 10 – 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. During the current fiscal year, the District recorded \$640,557 in the government wide statements and \$603,094 in the fund statements from the City pursuant to this agreement.

Note 11 – 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.

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 | 38.61% |
| 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 | 8.80% |
| 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 \$354,198 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 28, 2015, the District’s share of the operating reserve is \$97,444.

*Cimarron Municipal Utility District
 Notes to Basic Financial Statements
 February 28, 2015*

Note 11 – Financing and Operation of Regional Facilities (continued)

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 2014, is shown below:

| | |
|---|--------------------------|
| Total Assets | <u><u>\$ 513,802</u></u> |
| Total Liabilities | \$ 152,627 |
| Total Fund Balance - Restricted | <u>361,175</u> |
| Total Liabilities and Fund Balance | <u><u>\$ 513,802</u></u> |
| | |
| Total Revenues | \$ 2,003,937 |
| Total Expenditures | <u>(2,003,937)</u> |
| Revenues Over Expenditures | |
| Other Financing Sources - Increase in Operating Reserve | <u>32,865</u> |
| Net Change in Fund Balance | 32,865 |
| Fund Balance, Beginning of Year | <u>328,310</u> |
| Fund Balance, End of Year | <u><u>\$ 361,175</u></u> |

Note 12 – 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 28, 2015, the District’s share of the water service billings were \$363,935 and HFB MUD 3’s share of the water service billings were \$28,522. As of February 28, 2015, the District’s and HFB MUD 3’s operating reserves are \$81,554 and \$43,837, respectively.

Note 13 – 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 \$581,974 in revenues and \$637,077 in expenditures for surface water.

As of February 28, 2015, the Authority’s rates are \$2.05 per 1,000 gallons of water pumped from the District’s wells and \$2.45 for surface water delivered by the Authority. These rates have been in effect since January 2015 and are subject to future increases.

Note 14 – 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*.

Note 15 – 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.

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Required Supplementary Information

*Cimarron Municipal Utility District
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended February 28, 2015*

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|-----------------------------------|---------------------|---------------------|---------------------|------------------------------------|
| Revenues | | | | |
| Water service | \$ 530,000 | \$ 483,679 | \$ 503,607 | \$ 19,928 |
| Sewer service | 492,000 | 504,371 | 530,503 | 26,132 |
| Garbage service | 276,000 | 278,804 | 279,673 | 869 |
| Property taxes | 132,000 | 152,459 | 164,111 | 11,652 |
| Penalties and interest | 30,000 | 37,378 | 39,949 | 2,571 |
| Tap connection and inspection | 12,000 | 159,779 | 166,779 | 7,000 |
| City of Houston sales tax rebate | 336,000 | 645,993 | 603,094 | (42,899) |
| Regional Water Authority fees | 565,000 | 525,787 | 581,974 | 56,187 |
| Miscellaneous | 15,000 | 13,040 | 11,831 | (1,209) |
| Investment earnings | 600 | 2,262 | 3,398 | 1,136 |
| Total Revenues | <u>2,388,600</u> | <u>2,803,552</u> | <u>2,884,919</u> | <u>81,367</u> |
| Expenditures | | | | |
| Current service operations | | | | |
| Purchased services | 825,097 | 771,276 | 717,081 | 54,195 |
| Professional fees | 119,700 | 161,143 | 157,082 | 4,061 |
| Contracted services | 342,000 | 395,249 | 395,437 | (188) |
| Repairs and maintenance | 484,700 | 372,235 | 443,231 | (70,996) |
| Utilities | 132,000 | 126,700 | 117,800 | 8,900 |
| Regional Water Authority fees | 335,000 | 362,478 | 358,612 | 3,866 |
| Administrative | 111,419 | 114,237 | 88,648 | 25,589 |
| Other | 26,600 | 23,584 | 14,418 | 9,166 |
| Economic development grant | | | 100,000 | (100,000) |
| Capital outlay | 5,000 | 279,829 | 311,283 | (31,454) |
| Total Expenditures | <u>2,381,516</u> | <u>2,606,731</u> | <u>2,703,592</u> | <u>(96,861)</u> |
| Revenues Over Expenditures | 7,084 | 196,821 | 181,327 | (15,494) |
| Other Item | | | | |
| Insurance recovery | | | 22,843 | 22,843 |
| Net Change in Fund Balance | 7,084 | 196,821 | 204,170 | 7,349 |
| Fund Balance | | | | |
| Beginning of the period | 2,181,158 | 2,181,158 | 2,181,158 | |
| End of the period | <u>\$ 2,188,242</u> | <u>\$ 2,377,979</u> | <u>\$ 2,385,328</u> | <u>\$ 7,349</u> |

*Cimarron Municipal Utility District
 Required Supplementary Information - Budgetary Comparison Schedule - Special Revenue Fund
 For the Year Ended February 28, 2015*

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|-----------------------------------|------------------------------|----------------|------------------------------------|
| Revenues | | | |
| Water supply | \$ 501,560 | \$ 392,458 | \$ (109,102) |
| Investment earnings | | 78 | 78 |
| Total Revenues | <u>501,560</u> | <u>392,536</u> | <u>(109,024)</u> |
| Expenditures | | | |
| Current service operations | | | |
| Professional fees | 10,900 | 2,500 | 8,400 |
| Contracted services | 13,360 | 11,926 | 1,434 |
| Repairs and maintenance | 76,200 | 39,067 | 37,133 |
| Utilities | 54,800 | 43,938 | 10,862 |
| Regional water authority fees | 324,000 | 278,465 | 45,535 |
| Administrative | 17,000 | 12,081 | 4,919 |
| Other | 5,300 | 3,750 | 1,550 |
| Capital outlay | | 809 | (809) |
| Total Expenditures | <u>501,560</u> | <u>392,536</u> | <u>109,024</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 28, 2015

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 28, 2015

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

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

2. Retail Service Providers

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 | \$ 1.71 | - 0 - to | No limit |

District employs winter averaging for wastewater usage Yes No

Total charges per 10,000 gallons usage: Water \$ 31.10 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" | 1,502 | 1,488 | x 1.0 | 1,488 |
| 1" | 17 | 17 | x 2.5 | 43 |
| 1.5" | 27 | 26 | x 5.0 | 130 |
| 2" | 54 | 54 | x 8.0 | 432 |
| 3" | | | x 15.0 | |
| 4" | 1 | 1 | x 25.0 | 25 |
| 6" | 3 | 3 | x 50.0 | 150 |
| 8" | 6 | 6 | x 80.0 | 480 |
| 10" | | | x 115.0 | |
| 12" | 1 | 1 | x 155.0 | 155 |
| Total Water | 1,611 | 1,596 | | 2,903 |
| Total Wastewater | 1,548 | 1,534 | x 1.0 | 1,534 |

See accompanying auditors' report.

*Cimarron Municipal Utility District
TSI-2 General Fund Expenditures
For the Year Ended February 28, 2015*

| | | |
|-------------------------------|--|---------------------|
| Purchased services for resale | | \$ 717,081 |
| Professional fees | | |
| Legal | | 94,981 |
| Engineering | | 50,401 |
| Audit | | 11,700 |
| | | <u>157,082</u> |
| Contracted services | | |
| Bookkeeping | | 21,206 |
| Operator | | 71,224 |
| Garbage collection | | 224,910 |
| Tap connection and inspection | | 75,364 |
| Tax assessor collector | | 2,733 |
| | | <u>395,437</u> |
| Repairs and maintenance | | <u>443,231</u> |
| Utilities | | <u>117,800</u> |
| Regional Water Authority | | <u>358,612</u> |
| Administrative | | |
| Directors fees | | 17,250 |
| Printing and office supplies | | 25,551 |
| Insurance | | 29,604 |
| Other | | 16,243 |
| | | <u>88,648</u> |
| Other | | <u>14,418</u> |
| Economic development grant | | <u>100,000</u> |
| Capital outlay | | <u>311,283</u> |
| Total expenditures | | <u>\$ 2,703,592</u> |

Reporting of Utility Services in Accordance with HB 3693:

| | Usage | Cost |
|-------------|---------------|------------|
| Electrical | 1,225,835 kWh | \$ 157,402 |
| Water | N/A | N/A |
| Natural Gas | N/A | N/A |

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-3. Investments
February 28, 2015

| Fund | Identification or Certificate Number | Interest Rate | Maturity Date | Balance at End of Year | Interest Receivable |
|-------------------------|--|------------------|------------------|---------------------------|------------------------|
| General | | | | | |
| TexPool | 0792100002 | Variable | N/A | \$ 376,280 | \$ - |
| Certificates of deposit | 514927 | 0.4997% | 04/23/15 | <u>209,615</u> | <u>893</u> |
| | | | | <u>585,895</u> | <u>893</u> |
| Debt Service | | | | | |
| TexPool | 0792100001 | Variable | N/A | <u>328,184</u> | |
| Capital Projects | | | | | |
| TexPool | 0792100003 | Variable | N/A | <u>579</u> | |
| Total - All Funds | | | | <u>\$ 914,658</u> | <u>\$ 893</u> |

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-4. Taxes Levied and Receivable
February 28, 2015

| | Maintenance Taxes | Debt Service Taxes | Totals | |
|---|----------------------|-----------------------|----------------|----------------|
| Taxes Receivable, Beginning of Year | \$ 5,777 | \$ 91,013 | \$ 96,790 | |
| Adjustments to Prior Year Tax Levy | 103 | 1,865 | 1,968 | |
| Adjustments to Reserve for Uncollectibles | (211) | (2,628) | (2,839) | |
| Adjusted Receivable | 5,669 | 90,250 | 95,919 | |
| 2014 Original Tax Levy | 141,652 | 2,549,727 | 2,691,379 | |
| Adjustments | 24,551 | 441,916 | 466,467 | |
| Adjusted Tax Levy | 166,203 | 2,991,643 | 3,157,846 | |
| Total to be accounted for | 171,872 | 3,081,893 | 3,253,765 | |
| Tax collections: | | | | |
| Current year | 162,853 | 2,931,349 | 3,094,202 | |
| Prior years | 3,299 | 58,075 | 61,374 | |
| Total Collections | 166,152 | 2,989,424 | 3,155,576 | |
| Taxes Receivable, End of Year | \$ 5,720 | \$ 92,469 | \$ 98,189 | |
| Taxes Receivable, By Years | | | | |
| 2014 | \$ 3,350 | \$ 60,294 | \$ 63,644 | |
| 2013 | 783 | 14,091 | 14,874 | |
| 2012 | 316 | 5,696 | 6,012 | |
| 2011 and Prior | 1,271 | 12,388 | 13,659 | |
| Taxes Receivable, End of Year | \$ 5,720 | \$ 92,469 | \$ 98,189 | |
| | 2014 | 2013 | 2012 | 2011 |
| Property Valuations: | | | | |
| Land | \$ 218,894,483 | \$ 175,258,549 | \$ 168,124,943 | \$ 160,917,060 |
| Improvements | 373,997,071 | 302,542,595 | 285,549,061 | 260,951,275 |
| Personal Property | 34,544,410 | 29,893,313 | 26,434,366 | 24,587,618 |
| Exemptions | (73,427,823) | (53,048,721) | (50,660,727) | (50,528,446) |
| Total Property Valuations | \$ 554,008,141 | \$ 454,645,736 | \$ 429,447,643 | \$ 395,927,507 |
| Tax Rates per \$100 Valuation: | | | | |
| Maintenance tax rates | \$ 0.03 | \$ 0.03 | \$ 0.03 | \$ 0.04 |
| Debt service tax rates | 0.54 | 0.54 | 0.54 | 0.53 |
| Total Tax Rates per \$100 Valuation | \$ 0.57 | \$ 0.57 | \$ 0.57 | \$ 0.57 |
| Adjusted Tax Levy: | \$ 3,157,846 | \$ 2,591,481 | \$ 2,447,852 | \$ 2,256,787 |
| Percentage of Taxes Collected to Taxes Levied ** | 97.98% | 99.43% | 99.75% | 99.85% |

* 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 2006--by Years
February 28, 2015

| Due During Fiscal Years Ending | Principal Due March 1 | Interest Due September 1, March 1 | Total |
|-----------------------------------|--------------------------|---|-------------------|
| <u>2016</u> | <u>\$ 235,000</u> | <u>\$ 9,400</u> | <u>\$ 244,400</u> |

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2007--by Years
February 28, 2015

| Due During Fiscal Years Ending | Principal Due March 1 | Interest Due September 1, March 1 | Total |
|-----------------------------------|--------------------------|---|-------------------|
| <u>2016</u> | <u>\$ 150,000</u> | <u>\$ 6,000</u> | <u>\$ 156,000</u> |

See accompanying auditors' report.

*TSI-5. Long-Term Debt Service Requirements
Series 2010--by Years
February 28, 2015*

| Due During Fiscal Years Ending | Principal Due March 1 | Interest Due September 1, March 1 | Total |
|-----------------------------------|--------------------------|---|---------------------|
| 2016 | \$ 125,000 | \$ 194,963 | \$ 319,963 |
| 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>\$ 5,090,000</u> | <u>\$ 2,279,650</u> | <u>\$ 7,369,650</u> |

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2011--by Years
February 28, 2015

| <u>Due During Fiscal Years Ending</u> | <u>Principal Due March 1</u> | <u>Interest Due September 1, March 1</u> | <u>Total</u> |
|---|----------------------------------|--|----------------------|
| 2016 | \$ 150,000 | \$ 498,486 | \$ 648,486 |
| 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>\$ 10,525,000</u> | <u>\$ 8,190,674</u> | <u>\$ 18,715,674</u> |

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2013--by Years
February 28, 2015

| <u>Due During Fiscal Years Ending</u> | <u>Principal Due March 1</u> | <u>Interest Due September 1, March 1</u> | <u>Total</u> |
|---|----------------------------------|--|---------------------|
| 2016 | \$ 80,000 | \$ 94,800 | \$ 174,800 |
| 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>\$ 2,630,000</u> | <u>\$ 1,297,181</u> | <u>\$ 3,927,181</u> |

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2014R--by Years
February 28, 2015

| <u>Due During Fiscal Years Ending</u> | <u>Principal Due March 1</u> | <u>Interest Due September 1, March 1</u> | <u>Total</u> |
|---|----------------------------------|--|---------------------|
| 2016 | \$ 60,000 | \$ 169,569 | \$ 229,569 |
| 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>\$ 6,480,000</u> | <u>\$ 1,463,750</u> | <u>\$ 7,943,750</u> |

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
February 28, 2015

| Due During Fiscal Years Ending | Principal Due March 1 | Interest Due September 1, March 1 | Total |
|-----------------------------------|--------------------------|---|----------------------|
| 2016 | \$ 800,000 | \$ 973,218 | \$ 1,773,218 |
| 2017 | 830,000 | 944,018 | 1,774,018 |
| 2018 | 860,000 | 921,818 | 1,781,818 |
| 2019 | 885,000 | 898,820 | 1,783,820 |
| 2020 | 915,000 | 875,657 | 1,790,657 |
| 2021 | 940,000 | 849,726 | 1,789,726 |
| 2022 | 980,000 | 819,401 | 1,799,401 |
| 2023 | 1,010,000 | 789,650 | 1,799,650 |
| 2024 | 1,050,000 | 756,176 | 1,806,176 |
| 2025 | 1,085,000 | 721,375 | 1,806,375 |
| 2026 | 1,130,000 | 685,088 | 1,815,088 |
| 2027 | 1,175,000 | 643,164 | 1,818,164 |
| 2028 | 1,220,000 | 600,186 | 1,820,186 |
| 2029 | 1,275,000 | 554,962 | 1,829,962 |
| 2030 | 1,330,000 | 505,886 | 1,835,886 |
| 2031 | 1,385,000 | 454,036 | 1,839,036 |
| 2032 | 1,475,000 | 399,568 | 1,874,568 |
| 2033 | 1,555,000 | 330,281 | 1,885,281 |
| 2034 | 1,645,000 | 257,219 | 1,902,219 |
| 2035 | 1,735,000 | 176,031 | 1,911,031 |
| 2036 | 1,830,000 | 90,375 | 1,920,375 |
| | <u>\$ 25,110,000</u> | <u>\$ 13,246,655</u> | <u>\$ 38,356,655</u> |

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-6. Change in Long-Term Bonded Debt
February 28, 2015

| | Bond Issue | | | |
|----------------------------------|--|-------------------|-------------------|---------------------|
| | Series 2005 Refunding | Series 2006 | Series 2007 | Series 2010 |
| Interest rate | 3.10% - 4.00% | 4.00% | 4.00% | 3.50% - 4.00% |
| Dates interest payable | 9/1; 3/1 | 9/1; 3/1 | 9/1; 3/1 | 9/1; 3/1 |
| Maturity dates | 3/1/06 - 3/1/15 | 3/1/07 - 3/1/16 | 3/1/09 - 3/1/16 | 3/1/12 - 3/1/31 |
| Beginning bonds outstanding | \$ 1,320,000 | \$ 3,270,000 | \$ 3,735,000 | \$ 5,100,000 |
| Bonds issued | | | | |
| Bonds refunded | | (2,815,000) | (3,445,000) | |
| Bonds retired | (1,320,000) | (220,000) | (140,000) | (10,000) |
| Ending bonds outstanding | <u>\$ -</u> | <u>\$ 235,000</u> | <u>\$ 150,000</u> | <u>\$ 5,090,000</u> |
| Interest paid during fiscal year | <u>\$ 52,800</u> | <u>\$ 74,500</u> | <u>\$ 85,223</u> | <u>\$ 195,363</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 and 2014 Refunding | <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 | (41,975,000) | (5,275,000) | | |
| Remaining To Be Issued | <u>\$ 8,695,000</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 28, 2015: \$ 1,693,144

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,826,507

See accompanying auditors' report.

Bond Issue

| Series 2011 | Series 2013 | Series 2014 Refunding | Totals |
|--|---|---|----------------------|
| 4.00% - 5.50% 9/1; 3/1 3/1/16 - 3/1/36 | 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 | |
| \$ 10,525,000 | \$ 2,630,000 | \$ - | \$ 26,580,000 |
| | | 6,585,000 | 6,585,000 |
| | | | (6,260,000) |
| | | (105,000) | (1,795,000) |
| <u>\$ 10,525,000</u> | <u>\$ 2,630,000</u> | <u>\$ 6,480,000</u> | <u>\$ 25,110,000</u> |
| <u>\$ 498,488</u> | <u>\$ 94,800</u> | <u>\$ 42,917</u> | <u>\$ 1,044,091</u> |

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

| | Amounts | | | | |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2015 | 2014** | 2012 | 2011 | 2010 |
| Revenues | | | | | |
| Water service | \$ 503,607 | \$ 677,412 | \$ 528,124 | \$ 549,211 | \$ 418,124 |
| Sewer service | 530,503 | 672,565 | 398,310 | 423,049 | 347,519 |
| Garbage service | 279,673 | 376,801 | 266,141 | 304,785 | 255,610 |
| Property taxes | 164,111 | 263,392 | 159,404 | 240,616 | 285,808 |
| Penalties and interest | 39,949 | 73,209 | 22,269 | 47,544 | 36,478 |
| Tap connection and inspection | 166,779 | 465,425 | 10,910 | 105,653 | 122,263 |
| City of Houston sales tax rebate | 603,094 | 472,235 | 314,046 | 321,910 | 304,284 |
| Regional Water Authority fees | 581,974 | 802,874 | 487,765 | 556,906 | 286,581 |
| Miscellaneous | 11,831 | 24,087 | 7,035 | 8,526 | 16,733 |
| Investment earnings | 3,398 | 5,489 | 4,542 | 6,098 | 10,357 |
| Total Revenues | <u>2,884,919</u> | <u>3,833,489</u> | <u>2,198,546</u> | <u>2,564,298</u> | <u>2,083,757</u> |
| Expenditures | | | | | |
| Current service operations | | | | | |
| Purchased services | 717,081 | 1,114,420 | 761,661 | 635,722 | 315,545 |
| Purchased services - adjustment | | | | 230,685 | |
| Professional fees | 157,082 | 242,157 | 109,893 | 97,990 | 139,980 |
| Contracted services | 395,437 | 602,844 | 411,972 | 456,930 | 442,194 |
| Repairs and maintenance | 443,231 | 634,186 | 230,503 | 384,254 | 446,696 |
| Utilities | 117,800 | 153,608 | 125,269 | 131,995 | 139,284 |
| Regional Water Authority fees | 358,612 | 358,954 | 247,847 | 359,883 | 198,517 |
| Administrative | 88,648 | 180,359 | 128,909 | 154,563 | 129,977 |
| Other | 14,418 | | | | |
| Economic development grant | 100,000 | | | | |
| Capital outlay | 311,283 | 63,567 | | | 127,390 |
| Interest | | 999 | | | |
| Total Expenditures | <u>2,703,592</u> | <u>3,351,094</u> | <u>2,016,054</u> | <u>2,452,022</u> | <u>1,939,583</u> |
| Revenues Over Expenditures | <u>\$ 181,327</u> | <u>\$ 482,395</u> | <u>\$ 182,492</u> | <u>\$ 112,276</u> | <u>\$ 144,174</u> |

*Percentage is negligible

**Seventeen month period

See accompanying auditors' report.

Percent of Fund Total Revenues

| 2015 | 2014** | 2012 | 2011 | 2010 |
|------|--------|------|------|------|
| 18% | 18% | 25% | 22% | 19% |
| 18% | 18% | 18% | 16% | 17% |
| 10% | 10% | 12% | 12% | 12% |
| 6% | 7% | 7% | 9% | 14% |
| 1% | 2% | 1% | 2% | 2% |
| 6% | 12% | * | 4% | 6% |
| 21% | 12% | 14% | 13% | 15% |
| 20% | 20% | 23% | 22% | 14% |
| * | 1% | * | * | 1% |
| * | * | * | * | * |
| 100% | 100% | 100% | 100% | 100% |
| 25% | 29% | 35% | 25% | 15% |
| | | | 9% | |
| 5% | 6% | 5% | 4% | 7% |
| 14% | 16% | 19% | 18% | 21% |
| 15% | 17% | 10% | 15% | 21% |
| 4% | 4% | 6% | 5% | 7% |
| 12% | 9% | 11% | 14% | 10% |
| 3% | 5% | 6% | 6% | 6% |
| * | | | | |
| 3% | | | | |
| 11% | 2% | | | 6% |
| | * | | | |
| 92% | 88% | 92% | 96% | 93% |
| 8% | 12% | 8% | 4% | 7% |

Cimarron Municipal Utility District

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

| | Amounts | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2015 | 2014** | 2012 | 2011 | 2010 |
| Revenues | | | | | |
| Property taxes | \$ 2,953,443 | \$ 4,735,495 | \$ 2,105,090 | \$ 1,802,829 | \$ 1,746,327 |
| Penalties and interest | 19,330 | 21,938 | 14,535 | 16,663 | 15,940 |
| Accrued interest on bonds sold | 10,491 | 3,423 | | 41,051 | |
| Miscellaneous | 12,835 | | | | |
| Investment earnings | 2,384 | 11,064 | 6,332 | 8,919 | 9,972 |
| Total Revenues | <u>2,998,483</u> | <u>4,771,920</u> | <u>2,125,957</u> | <u>1,869,462</u> | <u>1,772,239</u> |
| Expenditures | | | | | |
| Tax collection services | 49,935 | 70,071 | 47,346 | 47,236 | 47,078 |
| Debt service | | | | | |
| Principal | 1,795,000 | 3,200,000 | 1,440,000 | 1,380,000 | 1,270,000 |
| Interest and fees | 1,179,481 | 1,742,593 | 1,275,146 | 726,161 | 659,648 |
| Debt issuance costs | 174,605 | | | | |
| Early extinguishment of debt | 10,000 | | | | |
| Total Expenditures | <u>3,209,021</u> | <u>5,012,664</u> | <u>2,762,492</u> | <u>2,153,397</u> | <u>1,976,726</u> |
| Revenues Under Expenditures | <u>\$ (210,538)</u> | <u>\$ (240,744)</u> | <u>\$ (636,535)</u> | <u>\$ (283,935)</u> | <u>\$ (204,487)</u> |
| Total Active Retail Water Connections | <u>1,596</u> | <u>1,573</u> | <u>1,564</u> | <u>1,565</u> | <u>1,559</u> |
| Total Active Retail Wastewater Connections | <u>1,534</u> | <u>1,514</u> | <u>1,510</u> | <u>1,507</u> | <u>1,504</u> |

*Percentage is negligible

**Seventeen month period

See accompanying auditors' report.

Percent of Fund Total Revenues

| 2015 | 2014** | 2012 | 2011 | 2010 |
|------|--------|-------|-------|-------|
| 99% | 99% | 99% | 97% | 98% |
| 1% | 1% | 1% | 1% | 1% |
| * | * | | 2% | |
| * | | | | |
| * | * | * | * | 1% |
| 100% | 100% | 100% | 100% | 100% |
| 2% | 1% | 2% | 3% | 3% |
| 60% | 67% | 68% | 74% | 72% |
| 39% | 37% | 60% | 39% | 37% |
| 6% | | | | |
| * | | | | |
| 107% | 105% | 130% | 116% | 112% |
| (7%) | (5%) | (30%) | (16%) | (12%) |

Cimarron Municipal Utility District
TSI-8. Board Members, Key Personnel and Consultants
February 28, 2015

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 21, 2014

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 | \$ 5,400 | \$ 281 | President |
| Richard May | 5/12 to 5/16 | 1,800 | 257 | Vice President |
| David F. Jones | 5/14 to 5/18 | 2,250 | 424 | Secretary |
| David Aitken | 3/14 to 5/16 | 5,700 | 3,014 | Assistant Secretary |
| John Linn | 5/12 to 5/16 | 1,950 | 424 | Assistant Vice President |
| Mark D. Curtis | 5/12 to 3/14 | 150 | 10 | Former Director |
| Consultants | | | | |
| | | Amounts Paid | | |
| Allen Boone Humphries Robinson LLP | 2003 | \$ 171,134 | | Attorney |
| Si Environmental, LLC | 2012 | 515,642 | | Operator |
| McLennan & Associates | 2004 | 32,382 | | Bookkeeper |
| Bob Leared Interests | 1977 | 21,200 | | Tax Collector |
| Harris County Appraisal District | Legislature | 19,872 | | Property Valuation |
| Fort Bend Central Appraisal District | Legislature | 1,030 | | Property Valuation |
| Perdue, Brandon, Fielder, Collins, & Mott, LLP | 1996 | 3,342 | | Delinquent Tax Attorney |
| Van De Wiele Engineering, Inc. | 1997 | 183,086 | | Engineer |
| McGrath & Co., PLLC | Annual | 14,700 | | Auditor |
| Robert W. Baird & Co. | 2015 | | | Financial Advisor |
| RBC Capital Markets | 1990 | 67,570 | | Former Financial Advisor |

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