

**CINCO MUNICIPAL  
UTILITY DISTRICT NO. 2  
FORT BEND COUNTY, TEXAS  
FINANCIAL REPORT  
September 30, 2020**



## Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditors' Report		1
Management's Discussion and Analysis		5
<b>BASIC FINANCIAL STATEMENTS</b>		
Statement of Net Position and Governmental Funds Balance Sheet		12
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		13
Notes to Basic Financial Statements		15
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Budgetary Comparison Schedule – General Fund		28
Notes to Required Supplementary Information		29
<b>TEXAS SUPPLEMENTARY INFORMATION</b>		
Services and Rates	TSI-1	32
General Fund Expenditures	TSI-2	34
Investments	TSI-3	35
Taxes Levied and Receivable	TSI-4	36
Long-Term Debt Service Requirements by Years	TSI-5	N/A
Change in Long-Term Bonded Debt	TSI-6	N/A
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	38
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	N/A
Board Members, Key Personnel and Consultants	TSI-8	40



# McGRATH & CO., PLLC

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Houston, Texas 77063

## Independent Auditors' Report

Board of Directors  
Cinco Municipal Utility District No. 2  
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Cinco Municipal Utility District No. 2, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these 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  
Cinco Municipal Utility District No. 2  
Fort Bend County, Texas***

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Cinco Municipal Utility District No. 2, as of September 30, 2020, 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**

*Required Supplementary Information*

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 to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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. G. G. & Co, PC*

Houston, Texas  
January 12, 2021

## **Management's Discussion and Analysis**

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***Cinco Municipal Utility District No. 2  
Management's Discussion and Analysis  
September 30, 2020***

**Using this Annual Report**

Within this section of the financial report of Cinco Municipal Utility District No. 2 (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 September 30, 2020. 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.

***Cinco Municipal Utility District No. 2  
 Management’s Discussion and Analysis  
 September 30, 2020***

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 September 30, 2020, was \$4,326,680. A comparative summary of the District’s overall financial position, as of September 30, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 2,129,869	\$ 1,655,097
Capital assets	<u>2,600,470</u>	<u>2,758,222</u>
Total assets	<u>4,730,339</u>	<u>4,413,319</u>
Current liabilities	<u>403,659</u>	<u>361,161</u>
Total liabilities	<u>403,659</u>	<u>361,161</u>
Net position		
Net investment in capital assets	2,600,470	2,758,222
Unrestricted	<u>1,726,210</u>	<u>1,293,936</u>
Total net position	<u>\$ 4,326,680</u>	<u>\$ 4,052,158</u>

***Cinco Municipal Utility District No. 2  
Management’s Discussion and Analysis  
September 30, 2020***

The total net position of the District increased during the current fiscal year by \$274,522. A comparative summary of the District’s *Statement of Activities* for the past two years is as follows:

	<u>2020</u>	<u>2019</u>
Revenues		
Property taxes, penalties and interest	\$ 2,154,641	\$ 1,816,401
Water and sewer service	579,678	571,119
Other	<u>1,214,512</u>	<u>1,131,656</u>
Total revenues	<u>3,948,831</u>	<u>3,519,176</u>
Expenses		
Current service operations	2,547,798	2,593,282
Contractual obligation	968,759	1,075,563
Depreciation	<u>157,752</u>	<u>157,752</u>
Total expenses	<u>3,674,309</u>	<u>3,826,597</u>
Change in net position	274,522	(307,421)
Net position, beginning of year	<u>4,052,158</u>	<u>4,359,579</u>
Net position, end of year	<u>\$ 4,326,680</u>	<u>\$ 4,052,158</u>

**Financial Analysis of the District’s Funds**

The District’s combined fund balances, as of September 30, 2020, were \$1,691,432, which consists of \$1,356,242 in the General Fund and \$335,190 in the Contract Tax Fund.

*General Fund*

A comparative summary of the General Fund’s financial position as of September 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Total assets	<u>\$ 1,783,896</u>	<u>\$ 1,332,748</u>
Total liabilities	\$ 403,659	\$ 361,161
Total deferred inflows	23,995	17,259
Total fund balance	<u>1,356,242</u>	<u>954,328</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,783,896</u>	<u>\$ 1,332,748</u>

***Cinco Municipal Utility District No. 2  
Management’s Discussion and Analysis  
September 30, 2020***

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

	<u>2020</u>	<u>2019</u>
Total revenues	\$ 2,949,670	\$ 2,401,870
Total expenditures	<u>(2,547,756)</u>	<u>(2,593,226)</u>
Revenues over/(under) expenditures	<u>\$ 401,914</u>	<u>\$ (191,356)</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District’s primary financial resources in the General Fund are from a property tax levy and the provision of water and sewer services to customers within the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues in the General Fund are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues funding maintenance and operations in fiscal 2020 increased from prior year because the District increased the maintenance and operations component of the 2019 levy over the rate levied in 2018.
- Water, sewer and surface water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District’s control.

*Contract Tax Fund*

A comparative summary of the Contract Tax Fund’s financial position as of September 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Total assets	<u>\$ 345,973</u>	<u>\$ 322,349</u>
Total deferred inflows	\$ 10,783	\$ 9,869
Total fund balance	<u>335,190</u>	<u>312,480</u>
Total deferred inflows and fund balance	<u>\$ 345,973</u>	<u>\$ 322,349</u>

A comparative summary of activities for the Contract Tax Fund’s current and prior fiscal year is as follows:

	<u>2020</u>	<u>2019</u>
Total revenues	\$ 991,511	\$ 1,122,098
Total expenditures	<u>(968,801)</u>	<u>(1,075,619)</u>
Revenues over expenditures	<u>\$ 22,710</u>	<u>\$ 46,479</u>

The District’s financial resources in the Contract Tax Fund are from property tax revenues, which are dependent upon assessed values in the District and the contract tax rate. Contract tax revenues funding

**Cinco Municipal Utility District No. 2  
 Management’s Discussion and Analysis  
 September 30, 2020**

expenditures in fiscal 2020 decreased from prior year because the District decreased the contract tax component of the 2019 levy below the rate levied in 2018.

**General Fund Budgetary Highlights**

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$155,004 greater than budgeted. The *Budgetary Comparison Schedule* on page 28 of this report provides variance information per financial statement line item.

**Capital Assets**

Capital assets held by the District at September 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Capital assets being depreciated		
Infrastructure	\$ 7,098,688	\$ 7,098,688
Less accumulated depreciation	<u>(4,498,218)</u>	<u>(4,340,466)</u>
Capital assets, net	<u>\$ 2,600,470</u>	<u>\$ 2,758,222</u>

**Long-Term Debt and Related Liabilities**

At September 30, 2020, the District had \$8,330,000 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 \$9,920,000 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:

	<u>2020 Actual</u>	<u>2021 Budget</u>
Total revenues	\$ 2,949,670	\$ 2,604,156
Total expenditures	<u>(2,547,756)</u>	<u>(2,496,298)</u>
Revenues over expenditures	401,914	107,858
Beginning fund balance	<u>954,328</u>	<u>1,356,242</u>
Ending fund balance	<u>\$ 1,356,242</u>	<u>\$ 1,464,100</u>

*Cinco Municipal Utility District No. 2  
Management's Discussion and Analysis  
September 30, 2020*

**Property Taxes**

The District's property tax base increased approximately \$9,231,000 for the 2020 tax year from \$580,594,865 to \$589,826,133. This increase was primarily due to increased property values. For the 2020 tax year, the District has levied a maintenance tax rate of \$0.19 per \$100 of assessed value and a contract tax rate of \$0.17 per \$100 of assessed value, for a total combined tax rate of \$0.36 per \$100. Tax rates for the 2019 tax year were \$0.20 per \$100 for maintenance and operations and \$0.17 per \$100 for contract tax for a combined total of \$0.37 per \$100 of assessed value. In the 2018 tax year, the District levied a maintenance tax of \$0.12 per \$100 of assessed value and a contract tax rate of \$0.19 per \$100 off assessed value.

**Infectious Disease Outlook (COVID-19)**

As further discussed in Note 12, the World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory virus currently affecting many parts of the world, including the United States and Texas. The pandemic has negatively affected the economic growth and financial markets worldwide and within Texas. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak could have an adverse effect on the District's operations and financial condition by negatively affecting property values and ad valorem tax revenues within the District.

## **Basic Financial Statements**

*Cinco Municipal Utility District No. 2*  
*Statement of Net Position and Governmental Funds Balance Sheet*  
*September 30, 2020*

	General Fund	Contract Tax Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>					
Cash	\$ 223,935	\$ 22,228	\$ 246,163	\$ -	\$ 246,163
Investments	1,233,853	311,827	1,545,680		1,545,680
Taxes receivable	17,046	10,783	27,829		27,829
Customer service receivables, net	294,703		294,703		294,703
Internal balances	(1,135)	1,135			
Due from City of Houston	15,494		15,494		15,494
Capital assets, net				2,600,470	2,600,470
Total Assets	<u>\$ 1,783,896</u>	<u>\$ 345,973</u>	<u>\$ 2,129,869</u>	<u>2,600,470</u>	<u>4,730,339</u>
<b>Liabilities</b>					
Accounts payable	\$ 391,514	\$ -	\$ 391,514		391,514
Customer deposits	12,145		12,145		12,145
Total Liabilities	<u>403,659</u>		<u>403,659</u>		<u>403,659</u>
<b>Deferred Inflows of Resources</b>					
Deferred property taxes	17,046	10,783	27,829	(27,829)	
Deferred sales tax rebates	6,949		6,949	(6,949)	
	<u>23,995</u>	<u>10,783</u>	<u>34,778</u>	<u>(34,778)</u>	
<b>Fund Balances/Net Position</b>					
<b>Fund Balances</b>					
Committed		335,190	335,190	(335,190)	
Unassigned	1,356,242		1,356,242	(1,356,242)	
Total Fund Balances	<u>1,356,242</u>	<u>335,190</u>	<u>1,691,432</u>	<u>(1,691,432)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,783,896</u>	<u>\$ 345,973</u>	<u>\$ 2,129,869</u>		
<b>Net Position</b>					
Net investment in capital assets				2,600,470	2,600,470
Unrestricted				1,726,210	1,726,210
Total Net Position				<u>\$ 4,326,680</u>	<u>\$ 4,326,680</u>

See notes to basic financial statements.



**Cinco Municipal Utility District No. 2**

**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended September 30, 2020**

	General Fund	Contract Tax Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>					
Water service	\$ 349,763	\$ -	\$ 349,763	\$ -	\$ 349,763
Sewer service	229,915		229,915		229,915
Property taxes	1,154,807	985,283	2,140,090	4,281	2,144,371
Penalties and interest	5,303	1,998	7,301	2,969	10,270
Tap connection and inspection	14,275		14,275		14,275
Surface water conversion fee	1,087,095		1,087,095		1,087,095
Sales tax rebates from City of Houston	66,608		66,608	400	67,008
Miscellaneous	32,960		32,960		32,960
Investment earnings	8,944	4,230	13,174		13,174
<b>Total Revenues</b>	<u>2,949,670</u>	<u>991,511</u>	<u>3,941,181</u>	<u>7,650</u>	<u>3,948,831</u>
<b>Expenditures/Expenses</b>					
Current service operations					
Master District fees	641,934		641,934		641,934
Professional fees	98,644		98,644		98,644
Contracted services	429,133		429,133		429,133
Repairs and maintenance	247,499		247,499		247,499
Regional water authority fees	1,084,566		1,084,566		1,084,566
Administrative	22,754	42	22,796		22,796
Other	23,226		23,226		23,226
Intergovernmental					
Contractual obligation		968,759	968,759		968,759
Depreciation				157,752	157,752
<b>Total Expenditures/Expenses</b>	<u>2,547,756</u>	<u>968,801</u>	<u>3,516,557</u>	<u>157,752</u>	<u>3,674,309</u>
<b>Revenues Over Expenditures</b>	401,914	22,710	424,624	(424,624)	
<b>Change in Net Position</b>				274,522	274,522
Fund Balance/Net Position					
Beginning of the year	954,328	312,480	1,266,808	2,785,350	4,052,158
<b>End of the year</b>	<u>\$ 1,356,242</u>	<u>\$ 335,190</u>	<u>\$ 1,691,432</u>	<u>\$ 2,635,248</u>	<u>\$ 4,326,680</u>

See notes to basic financial statements.

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***Cinco Municipal Utility District No. 2***  
***Notes to Basic Financial Statements***  
***September 30, 2020***

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Cinco Municipal Utility District No. 2 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). 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 Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated May 24, 1985, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on February 4, 1988 and its first bonds were issued on December 1, 1992.

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 GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other 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*.

*Cinco Municipal Utility District No. 2*  
*Notes to Basic Financial Statements*  
*September 30, 2020*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Government-Wide and Fund Financial Statements (continued)**

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 two governmental funds, which are both considered major funds.

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

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Contract Tax Fund is a special revenue fund used to account for the District’s collection of contract taxes and the payment of its contractual obligation to Cinco Municipal Utility District No. 1. The primary source of revenue is property taxes from the contract tax levy.

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 full 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, sales tax rebates from the City of Houston, interest earned on investments, and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

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

*Cinco Municipal Utility District No. 2*  
*Notes to Basic Financial Statements*  
*September 30, 2020*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Use of Restricted Resources**

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

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2020, an allowance of \$3,000 were provided for possible uncollectible water/sewer accounts. An allowance for uncollectible property taxes was not considered necessary.

**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 do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Depreciable capital assets, which primarily consist of water, wastewater and storm drainage facilities, are depreciated over a useful life of 45 years using the straight-line method.

**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.

*Cinco Municipal Utility District No. 2*  
*Notes to Basic Financial Statements*  
*September 30, 2020*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Deferred Inflows and Outflows of Financial Resources (continued)**

At the fund level, property taxes receivable and City of Houston sales tax rebates receivable (see Note 10) that are not collected from taxpayers or received from the City 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.

**Net Position – Governmental Activities**

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District does not have any restricted fund balances.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District’s committed fund balances consist of property taxes levied for the District’s contractual obligations to Cinco Municipal Utility District No. 1.

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.

*Cinco Municipal Utility District No. 2*  
*Notes to Basic Financial Statements*  
*September 30, 2020*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Fund Balances – Governmental Funds (continued)**

Unassigned - all other spendable amounts in the General Fund.

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 collectability of receivables; the value of unbilled utility revenues and receivables; and the useful lives and impairment of capital assets. 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.

**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	\$ 1,691,432	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 7,098,688	
Less accumulated depreciation	<u>(4,498,218)</u>	
Change due to capital assets		2,600,470
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	27,829	
City of Houston sales tax rebates	<u>6,949</u>	
		34,778
Total net position - governmental activities		<u><u>\$ 4,326,680</u></u>

***Cinco Municipal Utility District No. 2***  
***Notes to Basic Financial Statements***  
***September 30, 2020***

**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	\$ 424,624
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes, related penalties and interest, and City of Houston sales tax rebates.	7,650
In the <i>Statement of Activities</i> , the cost of capital assets is charged to depreciation expense over the estimated useful life of the assets.	(157,752)
Change in net position of governmental activities	<u>\$ 274,522</u>

**Note 3 – Deposits and Investments**

**Deposit Custodial Credit Risk**

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

**Investments**

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (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) certain insured or collateralized certificates of deposit and share certificates, (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.



*Cinco Municipal Utility District No. 2*  
*Notes to Basic Financial Statements*  
*September 30, 2020*

**Note 3 – Deposits and Investments (continued)**

**Investments (continued)**

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

As of September 30, 2020, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 1,233,853		
	Contract Tax	311,827		
Total		<u>\$ 1,545,680</u>	AAAm	38 days

**TexPool**

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

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

**Investment Credit and Interest Rate Risk**

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

**Cinco Municipal Utility District No. 2**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**Note 4 – Interfund Balances and Transactions**

Amounts due to/from other funds at September 30, 2020, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
Contract Tax Fund	General Fund	\$ 1,135	Contract tax collections not remitted as of year end

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

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended September 30, 2020, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets being depreciated			
Infrastructure	\$ 7,098,688	\$ -	\$ 7,098,688
Less accumulated depreciation	(4,340,466)	(157,752)	(4,498,218)
Capital assets, net	<u>\$ 2,758,222</u>	<u>\$ (157,752)</u>	<u>\$ 2,600,470</u>

Depreciation expense for the current year was \$157,752.

**Note 6 – Long-Term Debt**

At September 30, 2020, the District had authorized but unissued bonds in the amount of \$8,330,000 for water, sanitary sewer and drainage facilities and \$9,920,000 for refunding purposes.

**Note 7 – Property Taxes**

On January 20, 1990, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$0.25 per \$100 of assessed value.

All property values and exempt status, if any, are determined by the 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 2020 fiscal year was financed through the 2019 tax levy, pursuant to which the District levied property taxes of \$0.37 per \$100 of assessed value, of which \$0.20 was allocated to maintenance and operations and \$0.17 was allocated to contract taxes. The resulting tax levy was \$2,148,201 on the adjusted taxable value of \$580,594,865.

*Cinco Municipal Utility District No. 2*  
*Notes to Basic Financial Statements*  
*September 30, 2020*

**Note 7 – Property Taxes (continued)**

Property taxes receivable, at September 30, 2020, consisted of the following:

Current year taxes receivable	\$ 7,936
Prior years taxes receivable	11,040
	<hr/>
	18,976
Penalty and interest receivable	8,853
	<hr/>
Property taxes receivable	<u>\$ 27,829</u>

**Note 8 – Master District**

On February 20, 1990, the District entered into a contract (the “Contract”) with Cinco Municipal Utility District No. 1 (the “Master District”), as amended on March 11, 2008 and October 1, 2019, whereby the Master District agrees to provide or cause to be provided the regional water supply and distribution facilities and the wastewater collection, treatment and disposal facilities necessary to serve all districts located within the Master District’s service area. Under the terms of the Contract, which is in effect for forty years, the Master District charges the participants a monthly fee calculated by multiplying the unit cost per connection by the number of equivalent single-family residential connections reserved to each participant. For the year ended September 30, 2020, the District incurred costs of \$641,934 for monthly fees.

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing facilities needed to provide services to all participating districts. The District shall contribute to the payment of contract debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts. For the 2019 tax year, the District’s pro rata share was 14.35%. The District levied a contract tax rate of \$0.17 per \$100 of assessed valuation and paid \$968,759 to the Master District for its pro-rata share of the Master District’s debt service requirements.

***Cinco Municipal Utility District No. 2***  
***Notes to Basic Financial Statements***  
***September 30, 2020***

**Note 8 – Master District (continued)**

As of September 30, 2020, the Master District had \$65,515,000 in contract revenue and refunding bonds outstanding. The Master District’s debt service requirements on the contract revenue and refunding bonds outstanding are as follows:

Year	Principal	Interest	Total
2021	\$ 5,580,000	\$ 2,096,519	\$ 7,676,519
2022	5,190,000	1,936,112	7,126,112
2023	5,105,000	1,778,163	6,883,163
2024	4,960,000	1,614,469	6,574,469
2025	1,555,000	1,505,750	3,060,750
2026-2030	7,655,000	6,834,200	14,489,200
2031-2035	11,460,000	5,644,914	17,104,914
2036-2040	17,540,000	2,823,956	20,363,956
2041-2045	5,480,000	395,400	5,875,400
2046-2047	990,000	29,700	1,019,700
	\$ 65,515,000	\$ 24,659,183	\$ 90,174,183

**Note 9 – Regional Water Authority**

The District is within the boundaries of the North Fort Bend Water Authority (the “Authority”), which was created by the Texas Legislature. 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 Fort Bend Subsidence District, which regulates groundwater withdrawal.

As of January 1, 2020, the Authority’s rates are \$3.95 per 1,000 gallons of water for surface water supplied to the Master District. The District then purchases the surface water from the Master District at a 5% markup for a total rate of \$4.15 per 1,000 gallons of water. These rates are subject to future increases. The District passes these costs on to its customers. During the current year, the District recorded \$1,084,566 in expenditures for regional water authority fees.

**Note 10 – Strategic Partnership Agreement**

The District and the City of Houston (the “City”) entered into a Strategic Partnership Agreement (the “Agreement”) dated December 12, 2008 under which the City annexed a tract of land within the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district. The City imposed a one percent sales and use tax on all retailers within the tract and agreed to remit one half of the amount collected to the District on a monthly basis. The City agrees that it will not annex all or part of the District during the thirty-year term of this agreement. During the current year, the District recorded \$67,008 in sales tax rebates from the City pursuant to this agreement.

*Cinco Municipal Utility District No. 2*  
*Notes to Basic Financial Statements*  
*September 30, 2020*

**Note 11 – Risk Management**

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

**Note 12 – Infectious Disease Outlook (COVID-19)**

The World Health Organization has declared a pandemic (the “Pandemic”) following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which is currently affecting many parts of the world, including the United States and Texas. Federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. On March 13, 2020, the Governor issued a disaster declaration for all counties in Texas due to the COVID-19 outbreak. The disaster declaration has been renewed every 30 days since and is still in place at and after the District’s fiscal year end. During late March and early April, 2020, all the counties in the greater Houston area adopted various “Work Safe – Stay Home” orders focused on limiting instances where the public can congregate or interact with each other. These precautions resulted in the temporary closure of all non-essential businesses in the State.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting the economic growth and financial markets worldwide and within Texas. These negative impacts may reduce or negatively affect property values and ad valorem tax revenues within the District.

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued Pandemic conditions could have an adverse effect on the District’s operations and financial condition.

**Note 13 – Subsequent Event**

On December 9, 2020, Cinco Municipal Utility District No. 1 (the “Master District”) issued its Series 2020 Contract Revenue Bonds in the amount of \$19,515,000 at a net effective rate of 2.071622%. Proceeds from the bonds will be used to finance the rehabilitation and improvement of infrastructure constructed to serve the Master District service area, of which the District is a part.

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## **Required Supplementary Information**

*Cinco Municipal Utility District No. 2  
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund  
 For the Year Ended September 30, 2020*

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Water service	\$ 300,000	\$ 349,763	\$ 49,763
Sewer service	240,000	229,915	(10,085)
Property taxes	1,198,312	1,154,807	(43,505)
Penalties and interest	13,200	5,303	(7,897)
Tap connection and inspection	11,000	14,275	3,275
Surface water conversion fees	818,880	1,087,095	268,215
Sales tax rebates from City of Houston	70,000	66,608	(3,392)
Miscellaneous	30,000	32,960	2,960
Investment earnings	20,000	8,944	(11,056)
Total Revenues	<u>2,701,392</u>	<u>2,949,670</u>	<u>248,278</u>
<b>Expenditures</b>			
Current service operations			
Master District fees	643,302	641,934	1,368
Professional fees	133,500	98,644	34,856
Contracted services	426,800	429,133	(2,333)
Repairs and maintenance	381,500	247,499	134,001
Regional water authority fees	818,880	1,084,566	(265,686)
Administrative	31,000	22,754	8,246
Other	19,500	23,226	(3,726)
Total Expenditures	<u>2,454,482</u>	<u>2,547,756</u>	<u>(93,274)</u>
<b>Revenues Over Expenditures</b>	246,910	401,914	155,004
<b>Fund Balance</b>			
Beginning of the year	954,328	954,328	
<b>End of the year</b>	<u>\$ 1,201,238</u>	<u>\$ 1,356,242</u>	<u>\$ 155,004</u>



*Cinco Municipal Utility District No. 2*  
*Notes to Required Supplementary Information*  
*September 30, 2020*

**Budgets and Budgetary Accounting**

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

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## **Texas Supplementary Information**

**Cinco Municipal Utility District No. 2**

**TSI-1. Services and Rates**

**September 30, 2020**

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

- |  |   |   |  |
|--|---|---|--|
| <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 type="checkbox"/> Irrigation          |
| <input 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 (curbside garbage):	\$ 8.50	10,000	N	\$ 1.00	10,001 to 20,000
Water (backdoor garbage):	\$ 12.00	10,000	N	\$ 1.50	20,001 to 30,000
				\$ 3.00	30,001 to 40,000
				\$ 4.50	40,001 to no limit
Wastewater:	\$ 12.00	N/A	Y		to _____
NFBWA fee:	\$ 4.15	0	N	\$ 4.15	0 to no limit

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage (curbside garbage):	Water	\$ 50.00	Wastewater	\$ 12.00
Total charges per 10,000 gallons usage (backdoor garbage):	Water	\$ 53.50	Wastewater	\$ 12.00

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"	639	639	x 1.0	639
1"	753	753	x 2.5	1,883
1.5"	36	36	x 5.0	180
2"	29	29	x 8.0	232
3"	2	2	x 15.0	30
4"	3	2	x 25.0	50
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	1,462	1,461		3,014
Total Wastewater	1,353	1,352	x 1.0	1,352

See accompanying auditor's report.

***Cinco Municipal Utility District No. 2***  
***TSI-1. Services and Rates***  
***September 30, 2020***

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

*Gallons purchased into system:	<u>269,779,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>269,779,000</u>	(Gallons billed / Gallons pumped)
		<u>100.00%</u>

4. Standby Fees (authorized only under TWC Section 49.231):

(You may omit this information if your district does not levy standby fees)

Does the District have Debt Service standby fees? Yes  No

If yes, Date of the most recent commission Order: \_\_\_\_\_

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

If yes, Date of the most recent commission Order: \_\_\_\_\_

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

Is the District located entirely within one county? Yes  No

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

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

City(ies) in which the District is located: \_\_\_\_\_

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

Entirely  Partly  Not at all

ETJs in which the District is located: City of Houston

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

If Yes, by whom? \_\_\_\_\_

\* Purchased from Cinco Municipal Utility District No. 1

See accompanying auditors' report.

*Cinco Municipal Utility District No. 2  
 TSI-2 General Fund Expenditures  
 For the Year Ended September 30, 2020*

Master District fees	<u>\$ 641,934</u>
Professional fees	
Legal	67,877
Audit	12,500
Engineering	18,267
	<u>98,644</u>
Contracted services	
Bookkeeping	19,931
Operator	118,662
Garbage collection	262,811
Tap connection and inspection	14,175
Appraisal district fees	12,891
Tax assessor/collector	663
	<u>429,133</u>
Repairs and maintenance	<u>247,499</u>
Regional water authority fees	<u>1,084,566</u>
Administrative	
Directors fees	6,000
Printing and office supplies	1,584
Insurance	6,216
Other	8,954
	<u>22,754</u>
Other	<u>23,226</u>
Total expenditures	<u>\$ 2,547,756</u>

See accompanying auditors' report.

*Cinco Municipal Utility District No. 2*  
*TSI-3. Investments*  
*September 30, 2020*

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	\$ 1,233,853
Contract Tax			
TexPool	Variable	N/A	311,827
Total - All Funds			\$ 1,545,680

See accompanying auditors' report.

**Cinco Municipal Utility District No. 2**  
**TSI-4. Taxes Levied and Receivable**  
**September 30, 2020**

	Maintenance Taxes	Contract Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 4,826	\$ 7,320	\$ 2,549	\$ 14,695
Adjustments	(448)	(1,261)	(718)	(2,427)
Adjusted Receivable	4,378	6,059	1,831	12,268
2019 Original Tax Levy	1,161,020	986,867		2,147,887
Adjustments	170	144		314
Adjusted Tax Levy	1,161,190	987,011		2,148,201
Total to be accounted for	1,165,568	993,070	1,831	2,160,469
Tax collections:				
Current year	1,156,900	983,365		2,140,265
Prior years	475	720	33	1,228
Total Collections	1,157,375	984,085	33	2,141,493
Taxes Receivable, End of Year	\$ 8,193	\$ 8,985	\$ 1,798	\$ 18,976
Taxes Receivable, By Years				
2019	\$ 4,290	\$ 3,646	\$ -	\$ 7,936
2018	847	1,342		2,189
2017	485	647		1,132
2016 and prior	2,571	3,350	1,798	7,719
Taxes Receivable, End of Year	\$ 8,193	\$ 8,985	\$ 1,798	\$ 18,976
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Property Valuations:				
Land	\$ 123,355,991	\$ 122,979,042	\$ 117,926,242	\$ 117,926,252
Improvements	488,595,011	492,235,986	496,879,829	508,299,003
Personal Property	9,511,525	8,687,220	8,330,959	8,526,010
Exemptions	(40,867,662)	(40,646,284)	(40,015,614)	(43,067,775)
Total Property Valuations	\$ 580,594,865	\$ 583,255,964	\$ 583,121,416	\$ 591,683,490
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.20	\$ 0.12	\$ 0.12	\$ 0.25
Contract tax rates	0.17	0.19	0.16	0.09
Total Tax Rates per \$100 Valuation	\$ 0.37	\$ 0.31	\$ 0.28	\$ 0.34
Adjusted Tax Levy:	\$ 2,148,201	\$ 1,808,093	\$ 1,632,740	\$ 2,011,724
Percentage of Taxes Collected to Taxes Levied **	99.63%	99.88%	99.93%	99.91%

\* Maximum Maintenance Tax Rate Approved by Voters: \$0.25 on January 20, 1990

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

See accompanying auditors' report.



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*Cinco Municipal Utility District No. 2*

*TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund  
For the Last Five Fiscal Years*

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Water service	\$ 349,763	\$ 335,011	\$ 323,926	\$ 354,278	\$ 365,204
Sewer service	229,915	236,108	218,795	238,072	237,803
Property taxes	1,154,807	704,110	698,723	1,477,679	601,351
Penalties and interest	5,303	10,863	9,848	16,328	15,963
Tap connection and inspection	14,275	29,950	37,173	11,000	6,750
Surface water conversion fees	1,087,095	960,501	860,561	882,041	791,868
Sales tax rebates from City of Houston	66,608	74,140	70,338	51,347	52,059
Miscellaneous	32,960	29,455	29,156	7,688	4,673
Investment earnings	8,944	21,732	21,575	8,445	2,045
Total Revenues	<u>2,949,670</u>	<u>2,401,870</u>	<u>2,270,095</u>	<u>3,046,878</u>	<u>2,077,716</u>
Expenditures					
Current service operations					
Master District fees	641,934	632,184	632,352	556,488	560,448
Professional fees	98,644	138,795	120,592	99,610	91,970
Contracted services	429,133	455,845	434,263	407,363	410,588
Repairs and maintenance	247,499	395,751	442,335	158,622	245,899
Regional water authority fees	1,084,566	931,907	916,652	896,340	803,080
Administrative	22,754	19,208	17,536	27,607	28,370
Other	23,226	19,536	20,488	14,836	18,755
Total Expenditures	<u>2,547,756</u>	<u>2,593,226</u>	<u>2,584,218</u>	<u>2,160,866</u>	<u>2,159,110</u>
Revenues Over/(Under) Expenditures	<u>\$ 401,914</u>	<u>\$ (191,356)</u>	<u>\$ (314,123)</u>	<u>\$ 886,012</u>	<u>\$ (81,394)</u>
Total Active Retail Water Connections	<u>1,461</u>	<u>1,461</u>	<u>1,463</u>	<u>1,468</u>	<u>1,489</u>
Total Active Retail Wastewater Connections	<u>1,352</u>	<u>1,352</u>	<u>1,352</u>	<u>1,352</u>	<u>1,350</u>

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
12%	14%	14%	12%	18%
8%	10%	10%	8%	11%
40%	29%	31%	48%	29%
*	*	*	1%	1%
*	1%	2%	*	*
37%	41%	38%	29%	38%
2%	3%	3%	2%	3%
1%	1%	1%	*	*
*	1%	1%	*	*
100%	100%	100%	100%	100%
22%	26%	28%	18%	27%
3%	6%	5%	3%	4%
15%	19%	19%	13%	20%
8%	16%	19%	5%	12%
37%	39%	40%	29%	39%
1%	1%	1%	1%	1%
1%	1%	1%	*	1%
87%	108%	113%	69%	104%
13%	(8%)	(13%)	31%	(4%)

***Cinco Municipal Utility District No. 2  
TSI-8. Board Members, Key Personnel and Consultants  
For the Year Ended September 30, 2020***

Complete District Mailing Address: 2727 Allen Parkway, Suite 1100, Houston, TX 77019  
 District Business Telephone Number: (713) 652-6500  
 Submission Date of the most recent District Registration Form  
 (TWC Sections 36.054 and 49.054): January 22, 2020  
 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
<b>Board Members</b>				
Bruce Thomas	05/20 - 05/24	\$ 1,200	\$ -	President
Rebecca Butler	05/20 - 05/24	1,950	1,223	Vice President/ Treasurer
Gary Winkler	05/18 - 05/22	1,200		Secretary
Mary Kiesewetter	05/18 - 05/22	-		Assistant Secretary
Daniel Barth	04/20 - 05/22	300		Director
Paul Banks	05/18 - 04/20	1,350	962	Former Director
Amounts Paid				
Consultants		\$ 74,905		Attorney
Smith, Murdaugh, Little & Bonham, LLP				
Inframark		375,857		Operator
District Data Services, Inc.		19,934		Bookkeeper
Fort Bend County Tax Assessor Collector		619		Tax Collector
Fort Bend Central Appraisal District		12,891		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP				Delinquent Tax Attorney
AECOM Technical Services, Inc.		18,267		Engineer
McGrath & Co., PLLC		12,500		Auditor
RBC Capital Markets		625		Financial Advisor

\* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.

See accompanying auditors' report.