

Cinco Municipal Utility District No. 5

Harris and Fort Bend Counties, Texas

Independent Auditor's Report and Financial Statements

December 31, 2019



Cinco Municipal Utility District No. 5

December 31, 2019

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Independent Auditor's Report

Board of Directors
Cinco Municipal Utility District No. 5
Harris and Fort Bend Counties, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Cinco Municipal Utility District No. 5 (the District), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Houston, Texas
May 21, 2020

Cinco Municipal Utility District No. 5

Management's Discussion and Analysis

December 31, 2019

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

Cinco Municipal Utility District No. 5
Management's Discussion and Analysis (Continued)
December 31, 2019

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. 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 or governmental statutes or regulations.

Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Cinco Municipal Utility District No. 5
Management's Discussion and Analysis (Continued)
December 31, 2019

Relationship to Other Governments

On February 1, 1990, the District entered into a regional contract with Cinco Municipal Utility District No. 1 (District No. 1) whereby District No. 1 agreed to provide the regional water supply and delivery facilities and the regional waste collection, treatment and disposal facilities necessary to serve the District and other adjacent districts. Under the terms of the regional contracts, which are in effect for 40 years, District No. 1 charges the participants a monthly operational fee for water and sewer services rendered, which is calculated by multiplying the unit cost per connection by the number of equivalent single-family residential connections reserved for each participant.

In addition, District No. 1 is authorized to issue contract revenue bonds sufficient to complete acquisition and construction of the regional facilities as needed to serve all districts in the service area. Each participating district contributes to the payment of debt service requirements of the bonds based on the certified assessed valuation of each participant as a percentage of the total certified assessed valuation of all participating districts. The District and each of the participating districts owns, operates and finances the internal waster distribution, wastewater collection and storm drainage within its respective boundaries.

All of the land within the District lies within the Willow Fork Drainage District (Willow Fork), which encompasses approximately 5,718 acres of land. All of the land within the District is drained through major outfall drainage facilities provided by Willow Fork. Willow Fork has financed the construction of certain improvements to accommodate storm water drainage within its boundaries, including the District, and is expected to finance the acquisition and/or construction of additional drainage facilities in the future with the proceeds of unlimited tax bonds issued by Willow Fork. The principal of, and interest on, the bonds and operating expense of Willow Fork are payable from proceeds of an ad valorem tax levied against all taxable property located within Willow Fork, which is in addition to the taxes levied by the District.

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	2019	2018
Current and other assets	\$ 1,970,303	\$ 1,247,292
Capital assets	<u>1,609,736</u>	<u>1,687,746</u>
Total assets	3,580,039	2,935,038
Deferred outflows of resources	<u>12,036</u>	<u>13,171</u>
Total assets and deferred outflows of resources	<u><u>\$ 3,592,075</u></u>	<u><u>\$ 2,948,209</u></u>

Cinco Municipal Utility District No. 5
Management's Discussion and Analysis (Continued)
December 31, 2019

Summary of Net Position (Continued)

	2019	2018
Long-term liabilities	\$ 2,683,983	\$ 2,931,989
Other liabilities	137,257	142,478
Total liabilities	<u>2,821,240</u>	<u>3,074,467</u>
Deferred inflows of resources	<u>936,873</u>	<u>896,897</u>
Net position:		
Net investment in capital assets	(1,062,211)	(1,231,072)
Restricted	198,851	158,944
Unrestricted	<u>697,322</u>	<u>48,973</u>
Total net position	<u><u>\$ (166,038)</u></u>	<u><u>\$ (1,023,155)</u></u>

The total net position of the District increased by \$857,117 or about 84 percent. The increase in net position is primarily due to property taxes and charges for services revenues in excess of service expenses, as well as other income due to the receipt of funds from the Federal Emergency Management Agency (FEMA) related to prior year Hurricane Harvey costs.

Summary of Changes in Net Position

	2019	2018
Revenues:		
Property taxes	\$ 897,867	\$ 737,802
Sales tax rebates	38,120	36,204
Charges for services	1,000,393	890,043
Other revenues	<u>544,407</u>	<u>31,530</u>
Total revenues	<u>2,480,787</u>	<u>1,695,579</u>
Expenses:		
Services	1,103,820	1,004,341
Depreciation	78,010	78,010
Debt service	<u>441,840</u>	<u>522,193</u>
Total expenses	<u>1,623,670</u>	<u>1,604,544</u>
Change in net position	857,117	91,035
Net position, beginning of year	<u>(1,023,155)</u>	<u>(1,114,190)</u>
Net position, end of year	<u><u>\$ (166,038)</u></u>	<u><u>\$ (1,023,155)</u></u>

Cinco Municipal Utility District No. 5
Management's Discussion and Analysis (Continued)
December 31, 2019

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended December 31, 2019, were \$888,301, an increase of \$681,201 from the prior year.

The general fund's fund balance increased by \$647,970. This increase was primarily related to property taxes and services revenues exceeding service operations expenditures, as well as the receipt of funds from FEMA related to Hurricane Harvey costs incurred in a prior year.

The debt service fund's fund balance increased by \$33,231, primarily because property tax revenues generated were greater than bond principal and interest requirements and contractual obligation expenditures.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to purchased services expenditures being higher than anticipated, as well as repairs and maintenance expenditures being lower than anticipated. In addition, recovery from governmental agency funds received were not budgeted in the current year. The fund balance as of December 31, 2019, was expected to be \$80,625 and the actual end-of-year fund balance was \$693,354.

Capital Assets and Related Debt

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized below:

Capital Assets (Net of Accumulated Depreciation)

	2019	2018
Land and improvements	\$ 177,668	\$ 177,668
Water facilities	301,091	326,636
Wastewater facilities	441,649	462,238
Drainage facilities	<u>689,328</u>	<u>721,204</u>
Total capital assets	<u><u>\$ 1,609,736</u></u>	<u><u>\$ 1,687,746</u></u>

During the current year, there were no additions to capital assets.

Cinco Municipal Utility District No. 5
Management's Discussion and Analysis (Continued)
December 31, 2019

Debt

The changes in the debt position of the District during the fiscal year ended December 31, 2019, are summarized as follows:

Long-term debt payable, beginning of year	\$ 2,931,989
Decreases in long-term debt	<u>(248,006)</u>
Long-term debt payable, end of year	<u>\$ 2,683,983</u>

At December 31, 2019, the District had \$4,225,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

The District's bonds carry an underlying rating of "A-." The Series 2012 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Cinco Municipal Utility District No. 5
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2019

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 129,126	\$ -	\$ 129,126	\$ -	\$ 129,126
Short-term investments	730,489	496,284	1,226,773	-	1,226,773
Receivables:					
Property taxes	95,318	440,974	536,292	-	536,292
Service accounts	56,420	-	56,420	-	56,420
Sales tax rebate	5,385	-	5,385	3,255	8,640
Accrued penalty and interest	-	-	-	13,052	13,052
Interfund receivable	3,523	42,997	46,520	(46,520)	-
Capital assets (net of accumulated depreciation):					
Land and improvements	-	-	-	177,668	177,668
Infrastructure	-	-	-	1,432,068	1,432,068
Total assets	1,020,261	980,255	2,000,516	1,579,523	3,580,039
Deferred Outflows of Resources					
Deferred amount on debt refundings	0	0	0	12,036	12,036
Total assets and deferred outflows of resources	\$ 1,020,261	\$ 980,255	\$ 2,000,516	\$ 1,591,559	\$ 3,592,075

Cinco Municipal Utility District No. 5
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
December 31, 2019

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Liabilities					
Accounts payable	\$ 106,367	\$ -	\$ 106,367	\$ -	\$ 106,367
Accrued interest payable	-	-	-	24,400	24,400
Customer deposits	6,490	-	6,490	-	6,490
Interfund payable	42,997	3,523	46,520	(46,520)	-
Long-term liabilities:					
Due within one year	-	-	-	230,000	230,000
Due after one year	-	-	-	2,453,983	2,453,983
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	155,854	3,523	159,377	2,661,863	2,821,240
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Deferred Inflows of Resources					
Deferred property tax revenues	171,053	781,785	952,838	(15,965)	936,873
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances/Net Position					
Fund balances:					
Restricted, unlimited tax bonds	-	194,947	194,947	(194,947)	-
Unassigned	693,354	-	693,354	(693,354)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	693,354	194,947	888,301	(888,301)	0
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,020,261</u>	<u>\$ 980,255</u>	<u>\$ 2,000,516</u>		
Net position:					
Net investment in capital assets				(1,062,211)	(1,062,211)
Restricted for debt service				198,851	198,851
Unrestricted				697,322	697,322
				<hr/>	<hr/>
Total net position				<u>\$ (166,038)</u>	<u>\$ (166,038)</u>

Cinco Municipal Utility District No. 5
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended December 31, 2019

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Property taxes	\$ 182,626	\$ 711,843	\$ 894,469	\$ 3,398	\$ 897,867
Sales tax rebates	38,454	-	38,454	(334)	38,120
Water service	429,809	-	429,809	-	429,809
Sewer service	170,997	-	170,997	-	170,997
Regional water fee	399,587	-	399,587	-	399,587
Penalty and interest	4,912	3,514	8,426	2,303	10,729
Tap connection and inspection fees	285	-	285	-	285
Interest on deposits	7,464	14,902	22,366	-	22,366
Other income	15,552	2,856	18,408	492,619	511,027
Total revenues	1,249,686	733,115	1,982,801	497,986	2,480,787
Expenditures/Expenses					
Service operations:					
Purchased services	842,057	-	842,057	-	842,057
Professional fees	101,799	-	101,799	-	101,799
Contracted services	34,162	6,651	40,813	-	40,813
Repairs and maintenance	91,946	-	91,946	-	91,946
Other expenditures	24,371	2,834	27,205	-	27,205
Depreciation	-	-	-	78,010	78,010
Debt service:					
Principal retirement	-	225,000	225,000	(225,000)	-
Interest and fees	-	104,850	104,850	(23,559)	81,291
Contractual obligation	-	360,549	360,549	-	360,549
Total expenditures/expenses	1,094,335	699,884	1,794,219	(170,549)	1,623,670
Excess of Revenues Over Expenditures	155,351	33,231	188,582	668,535	
Other Financing Sources					
Recovery from governmental agency	492,619	-	492,619	(492,619)	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	647,970	33,231	681,201	(681,201)	
Change in Net Position				857,117	857,117
Fund Balances/Net Position					
Beginning of year	45,384	161,716	207,100	-	(1,023,155)
End of year	\$ 693,354	\$ 194,947	\$ 888,301	\$ 0	\$ (166,038)

Cinco Municipal Utility District No. 5

Notes to Financial Statements

December 31, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Cinco Municipal Utility District No. 5 (the District) was created by an Act of the 69th Legislature of the State of Texas, effective May 24, 1985, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

Cinco Municipal Utility District No. 5

Notes to Financial Statements

December 31, 2019

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Cinco Municipal Utility District No. 5

Notes to Financial Statements

December 31, 2019

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Cinco Municipal Utility District No. 5

Notes to Financial Statements

December 31, 2019

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis.

Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Investments and Investment Income

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at a value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

Cinco Municipal Utility District No. 5

Notes to Financial Statements

December 31, 2019

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Any collections on the current year tax levy are deferred and recognized in the subsequent fiscal year. Current year revenues recognized are those taxes collected during the fiscal year for prior years' tax levies, plus any collections received during fiscal 2018 on the 2018 levy.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended December 31, 2019, the tax levied in October 2019 is recorded as receivable and deferred inflows of resources and will be considered earned during the fiscal year ending December 31, 2020. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Cinco Municipal Utility District No. 5

Notes to Financial Statements

December 31, 2019

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts on bonds during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$	1,609,736
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.		15,965
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.		13,052
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.		12,036
Sales tax rebates receivable due from the City of Houston are not receivable in the current period and are not reported in the funds.		3,255

Cinco Municipal Utility District No. 5

Notes to Financial Statements

December 31, 2019

Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	\$ (24,400)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(2,683,983)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (1,054,339)</u></u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	\$ 681,201
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense in the current year.	(78,010)
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	225,000
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statements of activities.	5,367
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>23,559</u>
Change in net position of governmental activities.	<u><u>\$ 857,117</u></u>

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

Cinco Municipal Utility District No. 5

Notes to Financial Statements

December 31, 2019

At December 31, 2019, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool.

At December 31, 2019, the District had the following investments and maturities:

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexPool	\$ 1,226,773	\$ 1,226,773	\$ 0	\$ 0	\$ 0

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2019, the District's investments in TexPool were rated "AAAm" by Standard & Poor's.

Cinco Municipal Utility District No. 5
Notes to Financial Statements
December 31, 2019

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position at December 31, 2019, as follows:

Carrying value:	
Deposits	\$ 129,126
Investments	<u>1,226,773</u>
Total	<u><u>\$ 1,355,899</u></u>

Investment Income

Investment income of \$22,366 for the year ended December 31, 2019, consisted of interest income.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended December 31, 2019, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	<u>\$ 177,668</u>	<u>\$ 0</u>	<u>\$ 177,668</u>
Capital assets, depreciable:			
Water production and distribution facilities	979,609	-	979,609
Wastewater collection and treatment facilities	925,296	-	925,296
Drainage facilities	<u>1,379,905</u>	<u>-</u>	<u>1,379,905</u>
Total capital assets, depreciable	<u>3,284,810</u>	<u>0</u>	<u>3,284,810</u>
Less accumulated depreciation:			
Water production and distribution facilities	(652,973)	(25,545)	(678,518)
Wastewater collection and treatment facilities	(463,058)	(20,589)	(483,647)
Drainage facilities	<u>(658,701)</u>	<u>(31,876)</u>	<u>(690,577)</u>
Total accumulated depreciation	<u>(1,774,732)</u>	<u>(78,010)</u>	<u>(1,852,742)</u>
Total governmental activities, net	<u><u>\$ 1,687,746</u></u>	<u><u>\$ (78,010)</u></u>	<u><u>\$ 1,609,736</u></u>

Cinco Municipal Utility District No. 5
Notes to Financial Statements
December 31, 2019

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended December 31, 2019, were as follows:

Governmental Activities	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:				
General obligation bonds	\$ 2,665,000	\$ 225,000	\$ 2,440,000	\$ 230,000
Add premiums on bonds	266,989	23,006	243,983	-
Total governmental activities long-term liabilities	<u>\$ 2,931,989</u>	<u>\$ 248,006</u>	<u>\$ 2,683,983</u>	<u>\$ 230,000</u>

General Obligation Bonds

	Refunding Series 2012
Amount outstanding, December 31, 2019	\$2,440,000
Interest rates	2.00% to 4.00%
Maturity dates, serially beginning/ending	October 1, 2020/2028
Interest payment dates	April 1/ October 1
Callable date*	October 1, 2019

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at December 31, 2019.

Cinco Municipal Utility District No. 5
Notes to Financial Statements
December 31, 2019

Year	Principal	Interest	Total
2020	\$ 230,000	\$ 97,600	\$ 327,600
2021	240,000	88,400	328,400
2022	250,000	78,800	328,800
2023	260,000	68,800	328,800
2024	270,000	58,400	328,400
2025-2028	<u>1,190,000</u>	<u>121,400</u>	<u>1,311,400</u>
Total	<u>\$ 2,440,000</u>	<u>\$ 513,400</u>	<u>\$ 2,953,400</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount.

Bonds voted	\$ 10,000,000
Bonds sold	5,775,000

Note 5: Significant Bond Order and Commission Requirements

The Bond Order requires that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended December 31, 2019, the District levied an ad valorem debt service tax at the rate of \$0.1500 per \$100 of assessed valuation, which resulted in a tax levy of \$319,388 on the taxable valuation of \$212,830,936 for the 2019 tax year. The interest and principal requirements to be paid from the tax revenues are \$327,600.

Note 6: Maintenance Taxes

At an election held November 7, 1989, voters authorized a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended December 31, 2019, the District levied an ad valorem maintenance tax at the rate of \$0.0800 per \$100 of assessed valuation, which resulted in a tax levy of \$170,341 on the taxable valuation of \$212,830,936 for the 2019 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Contract Taxes

At an election held August 14, 1993, voters authorized a contract tax on all property within the District subject to taxation. During the year ended December 31, 2019, the District levied an ad valorem contract tax at the rate of \$0.2100 per \$100 of assessed valuation, which resulted in a tax levy of \$447,144 on the taxable valuation of \$212,830,936 for the 2019 tax year. This contract tax is used to pay for its pro rata share of principal and interest on the Cinco Municipal Utility District No. 1's (District No. 1) contract revenue bonds, as described in Note 8.

Cinco Municipal Utility District No. 5

Notes to Financial Statements

December 31, 2019

Note 8: Financing and Operating of Regional Facilities

On February 8, 1990, the District entered into a regional contract with District No. 1 whereby District No. 1 agreed to provide, or cause to be provided, the regional water supply and delivery facilities and the regional waste collection, treatment and disposal facilities necessary to serve the District and other adjacent districts. Under the terms of the regional contracts, which are in effect for 40 years, District No. 1 charges the participants a monthly operational 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 December 31, 2019, the District incurred operating costs of \$720,427 under this agreement.

In addition, District No. 1 is authorized to issue contract revenue bonds sufficient to complete acquisition and construction of the facilities as needed to serve all districts in the service area. Each participating district contributes to the payment of debt service requirements of the bonds, based on the certified assessed valuation of each participant as a percentage of the total assessed valuation of all participating districts. Per Amendment No. 2 to the regional contract dated October 1, 2019, the term for the regional contract will continue in full force and effect until January 1, 2063.

Additionally, District No. 1 is authorized to issue contract revenue bonds not to exceed \$30,000,000 for acquisition and construction of water reuse system facilities and not to exceed an additional \$50,000,000 for acquisition and construction of all other regional facilities from the date of the amendment until the duration of the term without written approval of the participants. During the current year, the District paid \$360,549 for its pro rata share (approximately 5.27 percent) of the principal and interest of District No. 1's bonds with such sums derived from contract taxes as described in Note 7.

The debt service requirements on District No. 1's bonds outstanding, as disclosed in its annual financial report at September 30, 2019, are as follows:

Year	Principal	Interest	Total
2020	\$ 5,110,000	\$ 1,958,446	\$ 7,068,446
2021	5,095,000	1,803,681	6,898,681
2022	4,710,000	1,660,763	6,370,763
2023	4,625,000	1,521,299	6,146,299
2024	4,480,000	1,377,401	5,857,401
2025-2029	5,390,000	6,042,380	11,432,380
2030-2034	7,315,000	4,993,505	12,308,505
2035-2039	15,075,000	2,728,847	17,803,847
2040-2041	6,010,000	245,100	6,255,100
Total	<u>\$ 57,810,000</u>	<u>\$ 22,331,422</u>	<u>\$ 80,141,422</u>

Cinco Municipal Utility District No. 5

Notes to Financial Statements

December 31, 2019

Based on the calculations provided by District No. 1's financial advisor, the District's pro rata share of the total 2019 assessed valuation is 6.35 percent, and the pro rata share of the 2019 contract payment due during the year ending December 31, 2020 is \$430,733. The contract payment due includes amounts due for trustee and paying agent fees and is net of capitalized interest provided from the sale of the bonds.

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 December 31, 2019, the Authority was billing District No. 1 \$3.65 per 1,000 gallons of water pumped from its wells and each participant is billed its proportionate share. This amount is subject to future increases.

Note 10: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 11: Hurricane Harvey

The Houston area sustained widespread flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District did not sustain any material damage at its facilities, but incurred costs of approximately \$545,000 in relation to storm damage debris clean-up. The District has filed a claim with the Federal Emergency Management Agency (FEMA). During the current year, FEMA reviewed and approved the District's claim, then the claim was reviewed and approved by the Texas Department of Emergency Management and the District received \$492,619 in funds.

Note 12: Uncertainties

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Required Supplementary Information

Cinco Municipal Utility District No. 5
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2019

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 181,141	\$ 182,626	\$ 1,485
Sales tax rebates	41,000	38,454	(2,546)
Water service	448,000	429,809	(18,191)
Sewer service	170,000	170,997	997
Regional water fee	380,000	399,587	19,587
Penalty and interest	13,000	4,912	(8,088)
Tap connection and inspection fees	-	285	285
Interest on deposits	1,000	7,464	6,464
Other income	8,000	15,552	7,552
	<u>1,242,141</u>	<u>1,249,686</u>	<u>7,545</u>
Total revenues	<u>1,242,141</u>	<u>1,249,686</u>	<u>7,545</u>
Expenditures			
Service operations:			
Purchased services	800,000	842,057	(42,057)
Professional fees	95,000	101,799	(6,799)
Contracted services	44,200	34,162	10,038
Repairs and maintenance	240,700	91,946	148,754
Other expenditures	27,000	24,371	2,629
	<u>1,206,900</u>	<u>1,094,335</u>	<u>112,565</u>
Total expenditures	<u>1,206,900</u>	<u>1,094,335</u>	<u>112,565</u>
Excess of Revenues Over Expenditures	35,241	155,351	120,110
Other Financing Sources			
Recovery from governmental agency	-	492,619	492,619
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	35,241	647,970	612,729
Fund Balance, Beginning of Year	<u>45,384</u>	<u>45,384</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 80,625</u></u>	<u><u>\$ 693,354</u></u>	<u><u>\$ 612,729</u></u>

Cinco Municipal Utility District No. 5
Notes to Required Supplementary Information
December 31, 2019

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during 2019.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Other Information

Cinco Municipal Utility District No. 5
Other Schedules Included Within This Report
December 31, 2019

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 12-24
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel and Consultants

Cinco Municipal Utility District No. 5

Schedule of Services and Rates

Year Ended December 31, 2019

1. Services provided by the District:

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

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 Levels	
Water:	\$ 24.00 *	1,000	N	\$ 1.05	1,001 to	10,000
				\$ 2.00	10,001 to	30,000
				\$ 3.00	30,001 to	40,000
				\$ 4.00	40,001 to	No Limit
Wastewater:	\$ 0	1,000	N	\$ 3.00	1,001 to	No Limit
Regional water fee:	\$ 3.83	1,000	N	\$ 3.83	1,001 to	No Limit
Does the District employ winter averaging for wastewater usage?					Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):				Water \$ 71.75	Wastewater \$	27.00

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC**</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	365	362	x1.0	362
1"	192	192	x2.5	480
1 1/2"	26	25	x5.0	125
2"	4	4	x8.0	32
3"	1	1	x15.0	15
4"	1	1	x25.0	25
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	589	585		1,039
Total wastewater	545	542	x1.0	542

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	110,425
Gallons billed to customers:	110,425
Water accountability ratio (gallons billed/gallons pumped):	100.00%

*Combined water and wastewater rate for the first 1,000 gallons usage. Users in Cinco at Willow Fork, Sections 1 and 2, Kelliwood Links, Kelliwood Greens, Section 1, Fairways at Kelliwood, Cinco Ranch Shadow Bend, and Kelliwood Park have a minimum charge of \$29.50; users in Greens at Willow Fork, Section 1, and Kelliwood Courts have a minimum charge of \$22.50.

**"ESFC" means equivalent single-family connections

Cinco Municipal Utility District No. 5
Schedule of General Fund Expenditures
Year Ended December 31, 2019

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	17,500	
Legal		84,299	
Engineering		-	
Financial advisor		-	101,799
			<hr/>
Purchased Services for Resale			
Bulk water and wastewater service purchases			720,427
Regional Water Fee			-
Contracted Services			
Bookkeeping		8,309	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		-	
Other contracted services		25,853	34,162
			<hr/>
Utilities			-
Repairs and Maintenance			91,946
Administrative Expenditures			
Directors' fees		6,900	
Office supplies		8,976	
Insurance		2,992	
Other administrative expenditures		5,503	24,371
			<hr/>
Capital Outlay			
Capitalized assets		-	
Expenditures not capitalized		-	-
			<hr/>
Tap Connection Expenditures			-
Solid Waste Disposal			121,630
Fire Fighting			-
Parks and Recreation			-
Other Expenditures			-
			<hr/>
Total expenditures		\$	<u><u>1,094,335</u></u>

Cinco Municipal Utility District No. 5
Schedule of Temporary Investments
December 31, 2019

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
<hr/>				
General Fund				
TexPool	1.61%	Demand	\$ 730,489	\$ -
Debt Service Fund				
TexPool	1.61%	Demand	<u>496,284</u>	<u>-</u>
Totals			<u>\$ 1,226,773</u>	<u>\$ 0</u>

Cinco Municipal Utility District No. 5
Analysis of Taxes Levied and Receivable
Year Ended December 31, 2019

	Maintenance Taxes	Contract Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 89,395	\$ 185,995	\$ 175,214
Additions and corrections to prior years' taxes	<u>299</u>	<u>317</u>	<u>354</u>
Adjusted receivable, beginning of year	<u>89,694</u>	<u>186,312</u>	<u>175,568</u>
 2019 Original Tax Levy	 170,152	 446,649	 319,035
Additions and corrections	<u>189</u>	<u>495</u>	<u>353</u>
Adjusted tax levy	<u>170,341</u>	<u>447,144</u>	<u>319,388</u>
Total to be accounted for	260,035	633,456	494,956
Tax collections: Current year	(75,736)	(198,806)	(142,004)
Prior years	<u>(88,981)</u>	<u>(177,736)</u>	<u>(168,892)</u>
Receivable, end of year	<u><u>\$ 95,318</u></u>	<u><u>\$ 256,914</u></u>	<u><u>\$ 184,060</u></u>
 Receivable, by Years			
2019	\$ 94,605	\$ 248,338	\$ 177,384
2018	713	1,426	1,354
2017	-	650	495
2016	-	561	428
2015	-	399	290
2014	-	403	294
2013	-	778	554
2012	-	752	571
2011	-	776	596
2010	-	776	596
2009	-	711	559
2008	-	905	636
2007	<u>-</u>	<u>439</u>	<u>303</u>
Receivable, end of year	<u><u>\$ 95,318</u></u>	<u><u>\$ 256,914</u></u>	<u><u>\$ 184,060</u></u>

Cinco Municipal Utility District No. 5
Analysis of Taxes Levied and Receivable (Continued)
Year Ended December 31, 2019

	2019	2018	2017	2016
Property Valuations				
Land	\$ 46,464,939	\$ 46,272,879	\$ 45,725,869	\$ 45,722,169
Improvements	193,714,338	161,260,883	200,424,960	205,886,540
Personal property	6,954,980	5,330,370	4,699,145	4,521,260
Exemptions	<u>(34,303,321)</u>	<u>(29,852,556)</u>	<u>(38,090,725)</u>	<u>(40,404,328)</u>
Total property valuations	<u><u>\$ 212,830,936</u></u>	<u><u>\$ 183,011,576</u></u>	<u><u>\$ 212,759,249</u></u>	<u><u>\$ 215,725,641</u></u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.1500	\$ 0.1900	\$ 0.1600	\$ 0.1600
Contract tax rates	0.2100	0.2000	0.2100	0.2100
Maintenance tax rates*	<u>0.0800</u>	<u>0.1000</u>	<u>-</u>	<u>-</u>
Total tax rates per \$100 valuation	<u><u>\$ 0.4400</u></u>	<u><u>\$ 0.4900</u></u>	<u><u>\$ 0.3700</u></u>	<u><u>\$ 0.3700</u></u>
Tax Levy	<u><u>\$ 936,873</u></u>	<u><u>\$ 896,897</u></u>	<u><u>\$ 787,335</u></u>	<u><u>\$ 798,212</u></u>
Percent of Taxes Collected to Taxes Levied**	<u><u>44%</u></u>	<u><u>99%</u></u>	<u><u>99%</u></u>	<u><u>99%</u></u>

*Maximum tax rate approved by voters: \$1.00 on November 7, 1989

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

Cinco Municipal Utility District No. 5
Schedule of Long-term Debt Service Requirements by Years
December 31, 2019

Due During Fiscal Years Ending December 31	Refunding Series 2012		
	Principal Due October 1	Interest Due April 1, October 1	Total
2020	\$ 230,000	\$ 97,600	\$ 327,600
2021	240,000	88,400	328,400
2022	250,000	78,800	328,800
2023	260,000	68,800	328,800
2024	270,000	58,400	328,400
2025	280,000	47,600	327,600
2026	290,000	36,400	326,400
2027	305,000	24,800	329,800
2028	315,000	12,600	327,600
Totals	<u>\$ 2,440,000</u>	<u>\$ 513,400</u>	<u>\$ 2,953,400</u>

Cinco Municipal Utility District No. 5
Changes in Long-term Bonded Debt
Year Ended December 31, 2019

	<u>Bond Issue</u> <u>Refunding</u> <u>Series 2012</u>
Interest rates	2.00% to 4.00%
Dates interest payable	April 1/ October 1
Maturity dates	October 1, 2020/2028
Bonds outstanding, beginning of current year	\$ 2,665,000
Retirements, principal	<u>225,000</u>
Bonds outstanding, end of current year	<u><u>\$ 2,440,000</u></u>
Interest paid during current year	<u><u>\$ 104,350</u></u>
Paying agent's name and address:	

Series 2012 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding</u> <u>Bonds</u>
Amount authorized by voters	<u>\$ 10,000,000</u>	<u>0</u>	<u>0</u>
Amount issued	<u>\$ 5,775,000</u>	<u>0</u>	<u>0</u>
Remaining to be issued	<u>\$ 4,225,000</u>	<u>0</u>	<u>0</u>
Debt service fund cash and temporary investment balances as of December 31, 2019:			<u>\$ 496,284</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 328,156</u>

Cinco Municipal Utility District No. 5
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended December 31,

	Amounts				
	2019	2018	2017	2016	2015
General Fund					
Revenues					
Property taxes	\$ 182,626	\$ -	\$ -	\$ -	\$ -
Sales tax rebates	38,454	35,372	39,382	38,326	39,521
Water service	429,809	415,460	395,584	356,118	323,911
Sewer service	170,997	120,366	123,870	122,338	89,325
Regional water fee	399,587	354,217	354,479	331,216	268,084
Penalty and interest	4,912	8,841	12,295	10,262	7,723
Tap connection and inspection fees	285	185	-	-	-
Interest on deposits	7,464	786	3,645	1,908	810
Other income	15,552	8,553	9,930	7,490	5,570
Total revenues	1,249,686	943,780	939,185	867,658	734,944
Expenditures					
Service operations:					
Purchased services	842,057	743,576	1,262,444	695,426	628,238
Professional fees	101,799	124,230	111,880	85,418	80,075
Contracted services	34,162	33,239	35,749	35,305	33,882
Repairs and maintenance	91,946	58,563	97,209	116,858	89,864
Other expenditures	24,371	39,127	26,419	30,190	22,064
Total expenditures	1,094,335	998,735	1,533,701	963,197	854,123
Excess (Deficiency) of Revenues Over Expenditures	155,351	(54,955)	(594,516)	(95,539)	(119,179)
Other Financing Sources					
Recovery from governmental agency	492,619	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	647,970	(54,955)	(594,516)	(95,539)	(119,179)
Fund Balance, Beginning of Year	45,384	100,339	694,855	790,394	909,573
Fund Balance, End of Year	\$ 693,354	\$ 45,384	\$ 100,339	\$ 694,855	\$ 790,394
Total Active Retail Water Connections	585	586	587	589	587
Total Active Retail Wastewater Connections	542	542	541	542	540

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
14.6 %	- %	- %	- %	- %
3.1	3.8	4.2	4.4	5.4
34.3	44.0	42.1	41.0	44.1
13.6	12.8	13.2	14.1	12.2
31.9	37.5	37.7	38.2	36.5
0.4	0.9	1.3	1.2	1.0
0.0	0.0	-	-	-
0.6	0.1	0.4	0.2	0.1
1.5	0.9	1.1	0.9	0.7
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
67.4	78.8	134.4	80.2	85.5
8.1	13.2	11.9	9.8	10.9
2.7	3.5	3.8	4.0	4.6
7.4	6.2	10.4	13.5	12.2
2.0	4.1	2.8	3.5	3.0
<u>87.6</u>	<u>105.8</u>	<u>163.3</u>	<u>111.0</u>	<u>116.2</u>
<u><u>12.4 %</u></u>	<u><u>(5.8) %</u></u>	<u><u>(63.3) %</u></u>	<u><u>(11.0) %</u></u>	<u><u>(16.2) %</u></u>

Cinco Municipal Utility District No. 5

Comparative Schedule of Revenues and Expenditures – Debt Service Fund

Five Years Ended December 31,

	Amounts				
	2019	2018	2017	2016	2015
Debt Service Fund					
Revenues					
Property taxes	\$ 711,843	\$ 744,104	\$ 793,861	\$ 788,380	\$ 781,469
Penalty and interest	3,514	6,175	2,978	3,133	1,620
Interest on deposits	14,902	7,985	4,175	1,878	366
Other income	2,856	-	-	-	-
Total revenues	733,115	758,264	801,014	793,391	783,455
Expenditures					
Current:					
Contracted services	6,651	5,563	5,444	5,262	8,120
Other expenditures	2,834	43	-	-	249
Debt service:					
Principal retirement	225,000	225,000	210,000	210,000	205,000
Interest and fees	104,850	111,600	117,900	124,200	128,300
Contractual obligation	360,549	433,460	455,724	490,768	491,486
Total expenditures	699,884	775,666	789,068	830,230	833,155
Excess (Deficiency) of Revenues Over Expenditures	33,231	(17,402)	11,946	(36,839)	(49,700)
Fund Balance, Beginning of Year	161,716	179,118	167,172	204,011	253,711
Fund Balance, End of Year	\$ 194,947	\$ 161,716	\$ 179,118	\$ 167,172	\$ 204,011

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
97.1 %	98.1 %	99.1 %	99.4 %	99.7 %
0.5	0.8	0.4	0.4	0.2
2.0	1.1	0.5	0.2	0.1
0.4	-	-	-	-
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.9	0.7	0.7	0.7	1.0
0.4	0.0	-	-	0.0
30.7	29.7	26.2	26.5	26.2
14.3	14.7	14.7	15.6	16.4
<u>49.2</u>	<u>57.2</u>	<u>56.9</u>	<u>61.8</u>	<u>62.7</u>
<u>95.5</u>	<u>102.3</u>	<u>98.5</u>	<u>104.6</u>	<u>106.3</u>
<u>4.5 %</u>	<u>(2.3) %</u>	<u>1.5 %</u>	<u>(4.6) %</u>	<u>(6.3) %</u>

Cinco Municipal Utility District No. 5
Board Members, Key Personnel and Consultants
Year Ended December 31, 2019

Complete District mailing address:	Cinco Municipal Utility District No. 5 c/o Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019
District business telephone number:	713.652.6500
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 2, 2019
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Duval McDaniel	Elected 05/16- 05/20	\$ 1,500	\$ 0	President
Bruce C. Thornton	Elected 05/18- 05/22	1,350	0	Vice President
Kenneth Jackson	Elected 05/16- 05/20	1,350	0	Secretary
William R. Fleming	Elected 05/16- 05/20	1,500	0	Director
Kevin Wagner	Elected 05/18- 05/22	1,200	0	Director

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

Cinco Municipal Utility District No. 5
Board Members, Key Personnel and Consultants (Continued)
Year Ended December 31, 2019

Consultants	Date Hired	Fees and Expense Reimbursements	Title
BKD, LLP	12/05/90	\$ 17,500	Auditor
Equi-Tax, Inc.	01/09/02	8,959	Bookkeeper
Harris County Appraisal District	Legislative Action	5,187	Appraiser
Inframark LLC	06/23/89	126,806	Operator
Rathmann & Associates, L.P.	05/14/03	0	Financial Advisor
Carrie Surratt, RTA	07/01/13	0	Tax Assessor/ Collector
Smith, Murdaugh, Little & Bonham, L.L.P.	04/29/87	84,299	General Counsel
Van De Wiele & Vogler Incorporated	04/29/87	0	Engineer
Investment Officer			
Kenneth R. Byrd	07/25/00	N/A	Bookkeeper