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**Cinco Municipal Utility  
District No. 3  
Fort Bend and Harris Counties,  
Texas**

**Independent Auditor's Report and  
Financial Statements**

**September 30, 2023**

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**Cinco Municipal Utility District No. 3**  
**September 30, 2023**

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## Independent Auditor's Report

Board of Directors  
Cinco Municipal Utility District No. 3  
Fort Bend and Harris Counties, Texas

### ***Opinions***

We have audited the financial statements of the governmental activities and each major fund of Cinco Municipal Utility District No. 3 (the District), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2023, 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.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance

and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

### ***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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

***Supplementary 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 accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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.

**FORVIS,LLP**

Houston, Texas  
February 6, 2024

# **Cinco Municipal Utility District No. 3**

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

### **September 30, 2023**

#### **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 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. 3**  
**Management's Discussion and Analysis (Continued)**  
**September 30, 2023**

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. 3**  
**Management's Discussion and Analysis (Continued)**  
**September 30, 2023**

**Relationship to Other Governments**

On February 1, 1990, as amended, the District entered into a regional contract with Cinco Municipal Utility District No. 1 (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, District No. 1 charges the participants a monthly operational fee, which is calculated by multiplying the unit cost per connection by the number of equivalent single-family residential connections reserved for each participant. For the fiscal year ending September 30, 2023, the monthly charge is \$34.75 per equivalent connection. The District also bills participants for the North Fort Bend Water Authority (the Authority) pumpage fees, based on monthly usage, at the current rate.

Effective October 1, 2022, District No. 1 adjusted the calculation of its water billing for the pass-through costs of the Authority's pumpage and surface water fees as follows. District No. 1 will use monthly usage amounts provided by the most recent operator's report to determine each participant district's pro rata share of the overall system's monthly usage. That percentage will then be used to determine the amount of each participant district's share of the monthly invoice from the Authority to District No. 1.

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 own, operate and finance the internal water distribution, wastewater collection and storm drainage within its respective boundaries. 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.

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, with the proceeds of unlimited tax bonds issued by Willow Fork. The principal of and interest on the bonds, and operating expenses 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.



**Cinco Municipal Utility District No. 3**  
**Management's Discussion and Analysis (Continued)**  
**September 30, 2023**

**Summary of Net Position**

	<b>2023</b>	<b>2022</b>
Current and other assets	\$ 1,834,635	\$ 1,716,686
Capital assets	1,132,081	1,195,366
Total assets	2,966,716	2,912,052
Deferred outflows of resources	8,349	9,891
Total assets and deferred outflows of resources	\$ 2,975,065	\$ 2,921,943
Long-term liabilities	\$ 1,212,102	\$ 1,430,412
Other liabilities	127,992	267,214
Total liabilities	1,340,094	1,697,626
Net position:		
Net investment in capital assets	(71,672)	(225,155)
Restricted	180,776	131,048
Unrestricted	1,525,867	1,318,424
Total net position	\$ 1,634,971	\$ 1,224,317

The total net position of the District increased by \$410,654, or about 34%. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Summary of Changes in Net Position**

	<b>2023</b>	<b>2022</b>
Revenues:		
Property taxes	\$ 834,682	\$ 750,513
Charges for services	1,034,523	1,004,006
Other revenues	219,849	43,151
Total revenues	2,089,054	1,797,670

**Cinco Municipal Utility District No. 3**  
**Management's Discussion and Analysis (Continued)**  
**September 30, 2023**

**Summary of Changes in Net Position (Continued)**

	<b>2023</b>	<b>2022</b>
Expenses:		
Services	\$ 1,235,192	\$ 1,321,122
Depreciation	63,285	63,286
Debt service	379,923	309,362
Total expenses	1,678,400	1,693,770
Change in net position	410,654	103,900
Net position, beginning of year	1,224,317	1,120,417
Net position, end of year	\$ 1,634,971	\$ 1,224,317

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

The District's combined fund balances as of the end of the fiscal year ended September 30, 2023, were \$1,659,748, an increase of \$240,056 from the prior year.

The general fund's fund balance increased by \$204,805 as a result of property taxes, service revenues, investment income and settlement income received exceeding service operations expenditures.

The debt service fund's fund balance increased by \$35,251 because property tax revenues generated were greater than contractual obligations and bond principal and interest requirements.

**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 water service revenues and purchased services and repairs and maintenance expenditures being less than anticipated, as well as regional water fee revenues and investment income being greater than anticipated. In addition, settlement income received was not included in the budget. The fund balance as of September 30, 2023, was expected to be \$1,211,466 and the actual end-of-year fund balance was \$1,520,314.

**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.

**Cinco Municipal Utility District No. 3**  
**Management's Discussion and Analysis (Continued)**  
**September 30, 2023**

**Capital Assets (Net of Accumulated Depreciation)**

	<b>2023</b>	<b>2022</b>
Water facilities	\$ 395,593	\$ 414,161
Wastewater facilities	256,363	272,225
Drainage facilities	480,125	508,980
Total capital assets	\$ 1,132,081	\$ 1,195,366

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

**Debt**

The changes in the debt position of the District during the fiscal year ended September 30, 2023, are summarized as follows:

Long-term debt payable, beginning of year	\$ 1,430,412
Decreases in long-term debt	(218,310)
Long-term debt payable, end of year	\$ 1,212,102

At September 30, 2023, the District had \$8,070,000 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" from Standard & Poor's and a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corporation.

**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. 3**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**September 30, 2023**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b>Assets</b>					
Cash	\$ 104,981	\$ 71,770	\$ 176,751	\$ -	\$ 176,751
Short-term investments	1,449,678	58,767	1,508,445	-	1,508,445
Receivables:					
Property taxes	5,553	24,074	29,627	-	29,627
Service accounts	100,094	-	100,094	-	100,094
Accrued penalty and interest	-	-	-	19,718	19,718
Interfund receivable	-	9,960	9,960	(9,960)	-
Capital assets (net of accumulated depreciation):					
Infrastructure	-	-	-	1,132,081	1,132,081
Total assets	<u>1,660,306</u>	<u>164,571</u>	<u>1,824,877</u>	<u>1,141,839</u>	<u>2,966,716</u>
<b>Deferred Outflows of Resources</b>					
Deferred amount on debt refundings	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,349</u>	<u>8,349</u>
Total assets and deferred outflows of resources	<u>\$ 1,660,306</u>	<u>\$ 164,571</u>	<u>\$ 1,824,877</u>	<u>\$ 1,150,188</u>	<u>\$ 2,975,065</u>

**Cinco Municipal Utility District No. 3**  
**Statement of Net Position and Governmental Funds Balance Sheet (Continued)**  
**September 30, 2023**

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
<b>Liabilities</b>					
Accounts payable	\$ 91,629	\$ 1,063	\$ 92,692	\$ -	\$ 92,692
Accrued interest payable	-	-	-	2,450	2,450
Customer deposits	3,950	-	3,950	-	3,950
Due to others	28,900	-	28,900	-	28,900
Interfund payable	9,960	-	9,960	(9,960)	-
Long-term liabilities:					
Due within one year	-	-	-	215,000	215,000
Due after one year	-	-	-	997,102	997,102
Total liabilities	<u>134,439</u>	<u>1,063</u>	<u>135,502</u>	<u>1,204,592</u>	<u>1,340,094</u>
<b>Deferred Inflows of Resources</b>					
Deferred property tax revenues	<u>5,553</u>	<u>24,074</u>	<u>29,627</u>	<u>(29,627)</u>	<u>0</u>
<b>Fund Balances/Net Position</b>					
Fund balances:					
Restricted, unlimited tax bonds	-	139,434	139,434	(139,434)	-
Assigned, future expenditures	209,738	-	209,738	(209,738)	-
Unassigned	<u>1,310,576</u>	<u>-</u>	<u>1,310,576</u>	<u>(1,310,576)</u>	<u>-</u>
Total fund balances	<u>1,520,314</u>	<u>139,434</u>	<u>1,659,748</u>	<u>(1,659,748)</u>	<u>0</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,660,306</u>	<u>\$ 164,571</u>	<u>\$ 1,824,877</u>		
Net position:					
Net investment in capital assets				(71,672)	(71,672)
Restricted for debt service				180,776	180,776
Unrestricted				<u>1,525,867</u>	<u>1,525,867</u>
Total net position				<u>\$ 1,634,971</u>	<u>\$ 1,634,971</u>

**Cinco Municipal Utility District No. 3**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Year Ended September 30, 2023**

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>					
Property taxes	\$ 181,544	\$ 640,850	\$ 822,394	\$ 12,288	\$ 834,682
Water service	426,334	-	426,334	-	426,334
Sewer service	100,018	-	100,018	-	100,018
Regional water fee	508,171	-	508,171	-	508,171
Penalty and interest	5,354	9,361	14,715	4,314	19,029
Tap connection and inspection fees	12,411	-	12,411	-	12,411
Investment income	63,750	13,550	77,300	-	77,300
Other income	10,596	-	10,596	100,513	111,109
	<u>1,308,178</u>	<u>663,761</u>	<u>1,971,939</u>	<u>117,115</u>	<u>2,089,054</u>
<b>Expenditures/Expenses</b>					
Service operations:					
Purchased services	314,749	-	314,749	-	314,749
Regional water fee	490,027	-	490,027	-	490,027
Professional fees	75,069	1,114	76,183	-	76,183
Contracted services	206,662	26,282	232,944	-	232,944
Repairs and maintenance	65,766	-	65,766	-	65,766
Other expenditures	51,613	3,910	55,523	-	55,523
Depreciation	-	-	-	63,285	63,285
Debt service:					
Principal retirement	-	205,000	205,000	(205,000)	-
Interest and fees	-	36,300	36,300	(12,281)	24,019
Contractual obligations	-	355,904	355,904	-	355,904
	<u>1,203,886</u>	<u>628,510</u>	<u>1,832,396</u>	<u>(153,996)</u>	<u>1,678,400</u>
<b>Excess of Revenues Over Expenditures</b>	104,292	35,251	139,543	271,111	
<b>Other Financing Sources</b>					
Settlement income	100,513	-	100,513	(100,513)	
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	204,805	35,251	240,056	(240,056)	
<b>Change in Net Position</b>				410,654	410,654
<b>Fund Balances/Net Position</b>					
Beginning of year	1,315,509	104,183	1,419,692	-	1,224,317
End of year	<u>\$ 1,520,314</u>	<u>\$ 139,434</u>	<u>\$ 1,659,748</u>	<u>\$ 0</u>	<u>\$ 1,634,971</u>

# **Cinco Municipal Utility District No. 3**

## **Notes to Financial Statements**

### **September 30, 2023**

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

Cinco Municipal Utility District No. 3 (the District) was created by an act of the 69<sup>th</sup> Legislature of Texas Regular Session, as signed by the Governor of Texas on 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. 3

## Notes to Financial Statements

### September 30, 2023

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. 3**

## **Notes to Financial Statements**

### **September 30, 2023**

#### ***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. 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. 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.

##### **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. 3**

## **Notes to Financial Statements**

### **September 30, 2023**

#### ***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. 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, 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 fair 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. 3**  
**Notes to Financial Statements**  
**September 30, 2023**

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended September 30, 2023, include collections during the current period or within 60 days of year-end related to the 2022 and prior years' tax levies.

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 September 30, 2023, the 2022 tax levy is considered earned during the current fiscal year. 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:

	<b>Years</b>
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. 3**  
**Notes to Financial Statements**  
**September 30, 2023**

***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 bond premiums and discounts 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.	\$ 1,132,081
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	29,627
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	19,718
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	8,349
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(2,450)

**Cinco Municipal Utility District No. 3**  
**Notes to Financial Statements**  
**September 30, 2023**

Long-term debt obligations are not due and payable in the current period and are not reported in the funds. \$ (1,212,102)

Adjustment to fund balances to arrive at net position. \$ (24,777)

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.	\$ 240,056
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.	(63,285)
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	205,000
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.	16,602
Some expenses previously reported in the statement of activities are not reported as expenditures in the governmental funds.	<u>12,281</u>
Change in net position of governmental activities.	<u>\$ 410,654</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.

**Cinco Municipal Utility District No. 3**  
**Notes to Financial Statements**  
**September 30, 2023**

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.

At September 30, 2023, 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 September 30, 2023, 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	<u>\$ 1,508,445</u>	<u>\$ 1,508,445</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**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.

**Cinco Municipal Utility District No. 3**  
**Notes to Financial Statements**  
**September 30, 2023**

**Credit Risk.** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2023, the District's investments in TexPool were rated "AAAm" by Standard & Poor's.

**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 September 30, 2023, as follows:

Carrying value:		
Deposits	\$	176,751
Investments		1,508,445
Total	\$	1,685,196

**Investment Income**

Investment income of \$77,300 for the year ended September 30, 2023, consisted of interest income.

**Note 3: Capital Assets**

A summary of changes in capital assets for the year ended September 30, 2023, is presented below:

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Additions</b>	<b>Balances, End of Year</b>
Capital assets, depreciable:			
Water production and distribution facilities	\$ 835,564	\$ -	\$ 835,564
Wastewater collection and treatment facilities	713,804	-	713,804
Drainage facilities	1,298,494	-	1,298,494
Total capital assets, depreciable	2,847,862	0	2,847,862
Less accumulated depreciation:			
Water production and distribution facilities	(421,403)	(18,568)	(439,971)
Wastewater collection and treatment facilities	(441,579)	(15,862)	(457,441)
Drainage facilities	(789,514)	(28,855)	(818,369)
Total accumulated depreciation	(1,652,496)	(63,285)	(1,715,781)
Total governmental activities, net	\$ 1,195,366	\$ (63,285)	\$ 1,132,081

**Cinco Municipal Utility District No. 3**  
**Notes to Financial Statements**  
**September 30, 2023**

**Note 4: Long-term Liabilities**

Changes in long-term liabilities for the year ended September 30, 2023, were as follows:

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Decreases</b>	<b>Balances, End of Year</b>	<b>Amounts Due in One Year</b>
Bonds payable:				
General obligation bonds	\$ 1,345,000	\$ 205,000	\$ 1,140,000	\$ 215,000
Add premiums on bonds	85,412	13,310	72,102	-
Total governmental activities long-term liabilities	<u>\$ 1,430,412</u>	<u>\$ 218,310</u>	<u>\$ 1,212,102</u>	<u>\$ 215,000</u>

**General Obligation Bonds**

	<b>Refunding Series 2021</b>
Amount outstanding, September 30, 2023	\$1,140,000
Interest rates	2.00% to 3.00%
Maturity dates, serially beginning/ending	September 1, 2024/2028
Interest payment dates	March 1/ September 1
Callable date*	September 1, 2026

\*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 September 30, 2023:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 215,000	\$ 29,400	\$ 244,400
2025	215,000	22,950	237,950
2026	230,000	16,500	246,500
2027	240,000	9,600	249,600
2028	240,000	4,800	244,800
Total	<u>\$ 1,140,000</u>	<u>\$ 83,250</u>	<u>\$ 1,223,250</u>



**Cinco Municipal Utility District No. 3**  
**Notes to Financial Statements**  
**September 30, 2023**

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	\$ 12,100,000
Bonds sold	4,030,000
Refunding bonds voted	7,260,000
Refunding bond authorization used	489,777

**Note 5: Significant Bond Resolution and Commission Requirements**

The Bond Resolutions require 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 September 30, 2023, the District levied an ad valorem debt service tax at the rate of \$0.1200 per \$100 of assessed valuation, which resulted in a tax levy of \$294,375 on the taxable valuation of \$245,313,221 for the 2022 tax year. The interest and principal requirements paid from the tax revenues were \$240,550.

**Note 6: Maintenance Taxes**

At an election held January 20, 1990, voters authorized a maintenance tax not to exceed \$0.25 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended September 30, 2023, the District levied an ad valorem maintenance tax at the rate of \$0.0750 per \$100 of assessed valuation, which resulted in a tax levy of \$183,985 on the taxable valuation of \$245,313,221 for the 2022 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 January 20, 1990, voters authorized a contract tax on all property within the District subject to taxation. During the year ended September 30, 2023, the District levied an ad valorem contract tax at the rate of \$0.1450 per \$100 of assessed valuation, which resulted in a tax levy of \$355,703 on the taxable valuation of \$245,313,221 for the 2022 tax year. This contract tax is used to pay for its pro rata share of principal and interest on Cinco Municipal Utility District No. 1 (District No. 1's) bonds as described in Note 8.

**Note 8: Financing and Operating of Regional Facilities**

On February 1, 1990, as amended, 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

# Cinco Municipal Utility District No. 3

## Notes to Financial Statements

### September 30, 2023

serve the District and other adjacent districts. Under the terms of the regional contracts, 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 fiscal year ending September 30, 2023, the monthly charge is \$34.75 per equivalent connection. The District also bills participants for the North Fort Bend Water Authority (the Authority) pumpage fees, based on monthly usage, at the current rate. For the year ended September 30, 2023, the District incurred operating costs of \$804,776 under this agreement.

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 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 \$355,904 for its pro rata share (approximately 5.92% of the total 2022 assessed valuation) of the principal and interest of District No. 1's contract revenue bonds, with such sums derived from contract taxes as described in Note 7.

The debt service requirements on all unlimited tax contract revenue and direct placement contract revenue bonds outstanding are as follows:

Year	Contract Revenue Bonds		Direct Placement Contract Revenue Bonds		Total
	Principal	Interest	Interest	Interest	
2024	\$ 3,350,000	\$ 1,984,063	\$ 1,610,000	\$ 20,045	\$ 6,964,108
2025	3,365,000	1,877,287	-	-	5,242,287
2026	3,050,000	1,791,600	-	-	4,841,600
2027	3,045,000	1,714,125	-	-	4,759,125
2028	3,035,000	1,641,826	-	-	4,676,826
2029-2033	16,215,000	7,173,889	-	-	23,388,889
2034-2038	18,150,000	4,606,925	-	-	22,756,925
2039-2043	13,035,000	1,417,000	-	-	14,452,000
2044-2047	4,300,000	227,550	-	-	4,527,550
<b>Total</b>	<b>\$ 67,545,000</b>	<b>\$ 22,434,265</b>	<b>\$ 1,610,000</b>	<b>\$ 20,045</b>	<b>\$ 91,609,310</b>

# **Cinco Municipal Utility District No. 3**

## **Notes to Financial Statements**

### **September 30, 2023**

Based on the calculations provided by District No. 1's financial advisor, the District's pro rata share of the total 2023 assessed valuation is 5.13% and the pro rata share of the contract payment due is \$229,939. The contract payment due includes amounts for trustee and paying agent fees and is net of capitalized interest provided from the sale of the bonds.

Effective October 1, 2022, District No. 1 adjusted the calculation of its water billing for the pass-through costs of the Authority's pumpage and surface water fees as follows. District No. 1 will use monthly usage amounts provided by the most recent operator's report to determine each participant district's pro rata share of the overall system's monthly usage. That percentage will then be used to determine the amount of each participant district's share of the monthly invoice from the Authority to District No. 1.

#### **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. At September 30, 2023, the Authority is billing District No. 1 \$4.55 per 1,000 gallons of water pumped from its wells. 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 participates, along with other entities, in the Texas Municipal League's Intergovernmental Risk Pool (the Pool). The Pool purchases commercial insurance at group rates for participants in the Pool. The District has no additional risk or responsibility to the Pool, outside of payment of insurance premiums. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

## **Required Supplementary Information**

**Cinco Municipal Utility District No. 3**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended September 30, 2023**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Property taxes	\$ 191,595	\$ 181,544	\$ (10,051)
Water service	500,000	426,334	(73,666)
Sewer service	100,000	100,018	18
Regional water fee	447,785	508,171	60,386
Penalty and interest	7,500	5,354	(2,146)
Tap connection and inspection fees	8,000	12,411	4,411
Investment income	5,500	63,750	58,250
Other income	12,000	10,596	(1,404)
Total revenues	<u>1,272,380</u>	<u>1,308,178</u>	<u>35,798</u>
<b>Expenditures</b>			
Service operations:			
Purchased services	375,000	314,749	60,251
Regional water fee	503,273	490,027	13,246
Professional fees	75,900	75,069	831
Contracted services	204,500	206,662	(2,162)
Repairs and maintenance	165,000	65,766	99,234
Other expenditures	52,750	51,613	1,137
Total expenditures	<u>1,376,423</u>	<u>1,203,886</u>	<u>172,537</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(104,043)	104,292	208,335
<b>Other Financing Sources</b>			
Settlement income	-	100,513	100,513
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	(104,043)	204,805	308,848
<b>Fund Balance, Beginning of Year</b>	<u>1,315,509</u>	<u>1,315,509</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u><u>\$ 1,211,466</u></u>	<u><u>\$ 1,520,314</u></u>	<u><u>\$ 308,848</u></u>

**Cinco Municipal Utility District No. 3**  
**Notes to Required Supplementary Information**  
**September 30, 2023**

***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 fiscal 2023.

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.

## **Supplementary Information**

**Cinco Municipal Utility District No. 3**  
**Other Schedules Included Within This Report**  
**September 30, 2023**

(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 13-26
- [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. 3

## Schedule of Services and Rates

### Year Ended September 30, 2023

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):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 34.76 **	1,000	N	\$ 1.10	1,001 to 20,000
				\$ 1.50	20,001 to 30,000
				\$ 3.00	30,001 to 40,000
				\$ 4.00	40,001 to No Limit
Wastewater:	\$ 0.00	0	N	\$ 1.45	1,001 to 30,000
				\$ 1.75	30,001 to No Limit
Regional water fee	\$ 4.85	1	N	\$ 4.85	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 \$ 93.16	Wastewater \$ 13.05

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"	393	393	x1.0	393
1"	127	127	x2.5	318
1 1/2"	8	7	x5.0	35
2"	12	12	x8.0	96
3"	2	2	x15.0	30
4"	1	1	x25.0	25
6"	-	-	x50.0	-
8"	1	1	x80.0	80
10"	-	-	x115.0	-
Total water	544	543		977
Total wastewater	522	522	x1.0	522

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

Gallons pumped into the system:	105,456
Gallons billed to customers:	105,456
Water accountability ratio (gallons billed/gallons pumped):	100.00%

\*"ESFC" means equivalent single-family connections

\*\*Combined water and sewer rate for first 1,000 gallons of usage. Users within Willow Park Greens are charged a base amount of \$19.25 because they do not receive solid waste service from the District.

**Cinco Municipal Utility District No. 3**  
**Schedule of General Fund Expenditures**  
**Year Ended September 30, 2023**

<b>Personnel (including benefits)</b>		\$	-
<b>Professional Fees</b>			
Auditing	\$	18,800	
Legal		54,916	
Engineering		1,353	
Financial advisor		-	75,069
		<hr/>	
<b>Purchased Services for Resale</b>			
Bulk water and wastewater service purchases			314,749
<b>Regional Water Fee</b>			490,027
<b>Contracted Services</b>			
Bookkeeping		17,415	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		-	
Other contracted services		65,392	82,807
		<hr/>	
<b>Utilities</b>			-
<b>Repairs and Maintenance</b>			65,766
<b>Administrative Expenditures</b>			
Directors' fees		13,041	
Office supplies		5,245	
Insurance		4,428	
Other administrative expenditures		27,059	49,773
		<hr/>	
<b>Capital Outlay</b>			
Capitalized expenses		-	
Expenditures not capitalized		-	-
		<hr/>	
<b>Tap Connection Expenditures</b>			-
<b>Solid Waste Disposal</b>			123,855
<b>Fire Fighting</b>			-
<b>Parks and Recreation</b>			-
<b>Other Expenditures</b>			1,840
			<hr/>
Total expenditures		\$	<u>1,203,886</u>

**Cinco Municipal Utility District No. 3**  
**Schedule of Temporary Investments**  
**September 30, 2023**

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Accrued Interest Receivable</b>
<b>General Fund</b>				
TexPool	5.35%	Demand	<u>\$ 1,449,678</u>	<u>\$ 0</u>
<b>Debt Service Fund</b>				
TexPool	5.35%	Demand	9,532	-
TexPool	5.35%	Demand	<u>49,235</u>	<u>-</u>
			<u>58,767</u>	<u>0</u>
Totals			<u><u>\$ 1,508,445</u></u>	<u><u>\$ 0</u></u>

**Cinco Municipal Utility District No. 3**  
**Analysis of Taxes Levied and Receivable**  
**Year Ended September 30, 2023**

	<b>Maintenance Taxes</b>	<b>Contract Taxes</b>	<b>Debt Service Taxes</b>
<b>Receivable, Beginning of Year</b>	\$ 2,915	\$ 8,383	\$ 6,041
Additions and corrections to prior years' taxes	197	207	215
Adjusted receivable, beginning of year	<u>3,112</u>	<u>8,590</u>	<u>6,256</u>
<b>2022 Original Tax Levy</b>	182,605	353,036	292,168
Additions and corrections	1,380	2,667	2,207
Adjusted tax levy	<u>183,985</u>	<u>355,703</u>	<u>294,375</u>
Total to be accounted for	187,097	364,293	300,631
Tax collections: Current year	(180,872)	(349,685)	(289,395)
Prior years	<u>(672)</u>	<u>(921)</u>	<u>(849)</u>
Receivable, end of year	<u>\$ 5,553</u>	<u>\$ 13,687</u>	<u>\$ 10,387</u>
<b>Receivable, by Years</b>			
2022	\$ 3,113	\$ 6,018	\$ 4,980
2021	524	717	662
2020	188	501	391
2019	181	484	378
2018	122	440	306
2017	126	454	315
2016	123	479	307
2015	417	991	678
2014	119	438	278
2013	113	395	282
2012	85	409	273
2011	113	403	258
2010	113	387	258
2009	76	379	258
2008	58	392	247
2007	42	402	264
2006	40	398	252
Receivable, end of year	<u>\$ 5,553</u>	<u>\$ 13,687</u>	<u>\$ 10,387</u>

**Cinco Municipal Utility District No. 3**  
**Analysis of Taxes Levied and Receivable (Continued)**  
**Year Ended September 30, 2023**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Property Valuations</b>				
Land	\$ 65,771,487	\$ 64,170,761	\$ 59,798,197	\$ 59,795,471
Improvements	294,678,691	236,685,321	218,881,383	211,486,554
Personal property	7,311,812	6,674,932	6,901,427	6,163,509
Exemptions	<u>(122,448,769)</u>	<u>(88,624,673)</u>	<u>(63,953,309)</u>	<u>(64,153,549)</u>
Total property valuations	<u>\$ 245,313,221</u>	<u>\$ 218,906,341</u>	<u>\$ 221,627,698</u>	<u>\$ 213,291,985</u>
<b>Tax Rates per \$100 Valuation</b>				
Debt service tax rates	\$ 0.1200	\$ 0.1200	\$ 0.1250	\$ 0.1250
Contract tax rates	0.1450	0.1300	0.1600	0.1600
Maintenance tax rates*	<u>0.0750</u>	<u>0.0950</u>	<u>0.0600</u>	<u>0.0600</u>
Total tax rates per \$100 valuation	<u>\$ 0.3400</u>	<u>\$ 0.3450</u>	<u>\$ 0.3450</u>	<u>\$ 0.3450</u>
<b>Tax Levy</b>	<u>\$ 834,063</u>	<u>\$ 755,224</u>	<u>\$ 764,612</u>	<u>\$ 735,854</u>
<b>Percent of Taxes Collected to Taxes Levied**</b>				
	<u>98%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

\*Maximum 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.

**Cinco Municipal Utility District No. 3**  
**Schedule of Long-term Debt Service Requirements by Years**  
**September 30, 2023**

<b>Due During Fiscal Years Ending September 30</b>	<b>Refunding Series 2021</b>		
	<b>Principal Due September 1</b>	<b>Interest Due March 1, September 1</b>	<b>Total</b>
2024	\$ 215,000	\$ 29,400	\$ 244,400
2025	215,000	22,950	237,950
2026	230,000	16,500	246,500
2027	240,000	9,600	249,600
2028	240,000	4,800	244,800
Totals	<u>\$ 1,140,000</u>	<u>\$ 83,250</u>	<u>\$ 1,223,250</u>

**Cinco Municipal Utility District No. 3**  
**Changes in Long-term Bonded Debt**  
**Year Ended September 30, 2023**

	<b>Bond Issue</b>
	<b>Refunding Series 2021</b>
Interest rates	2.00% to 3.00%
Dates interest payable	March 1/ September 1
Maturity dates	September 1, 2024/2028
Bonds outstanding, beginning of current year	\$ 1,345,000
Retirements, principal	205,000
Bonds outstanding, end of current year	\$ 1,140,000
Interest paid during current year	\$ 35,550

Paying agent's name and address:

**Series 2021** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:	<b>Tax Bonds</b>	<b>Other Bonds</b>	<b>Refunding Bonds</b>
Amount authorized by voters	\$ 12,100,000	0	\$ 7,260,000
Amount issued	\$ 4,030,000	0	\$ 489,777
Remaining to be issued	\$ 8,070,000	0	\$ 6,770,223
Debt service fund cash and temporary investment balances as of September 30, 2023:			\$ 130,537
Average annual debt service payment (principal and interest) for remaining term of all debt:			\$ 244,650

**Cinco Municipal Utility District No. 3**  
**Comparative Schedule of Revenues and Expenditures – General Fund**  
**Five Years Ended September 30,**

	Amounts				
	2023	2022	2021	2020	2019
<b>General Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 181,544	\$ 208,475	\$ 132,391	\$ 126,944	\$ 105,921
Water service	426,334	439,782	440,087	395,241	464,699
Sewer service	100,018	94,942	104,334	70,820	70,618
Regional water fee	508,171	469,282	391,939	337,634	261,142
Penalty and interest	5,354	5,625	11,457	3,267	4,347
Tap connection and inspection fees	12,411	7,665	6,395	5,294	5,495
Investment income	63,750	9,634	901	14,731	38,691
Other income	10,596	10,344	10,765	8,957	9,776
Total revenues	<u>1,308,178</u>	<u>1,245,749</u>	<u>1,098,269</u>	<u>962,888</u>	<u>960,689</u>
<b>Expenditures</b>					
Service operations:					
Purchased services	314,749	342,138	328,669	307,116	304,864
Regional water fee	490,027	479,937	400,972	392,540	258,116
Professional fees	75,069	84,440	86,613	92,158	64,735
Contracted services	206,662	200,750	201,261	200,574	198,016
Repairs and maintenance	65,766	97,093	72,909	293,526	83,692
Other expenditures	51,613	83,552	50,735	43,494	44,590
Tap connections	-	1,364	3,290	-	600
Capital outlay	-	-	-	-	6,460
Total expenditures	<u>1,203,886</u>	<u>1,289,274</u>	<u>1,144,449</u>	<u>1,329,408</u>	<u>961,073</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	104,292	(43,525)	(46,180)	(366,520)	(384)
<b>Other Financing Sources</b>					
Settlement income	100,513	-	-	-	-
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	204,805	(43,525)	(46,180)	(366,520)	(384)
<b>Fund Balance, Beginning of Year</b>	<u>1,315,509</u>	<u>1,359,034</u>	<u>1,405,214</u>	<u>1,771,734</u>	<u>1,772,118</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,520,314</u>	<u>\$ 1,315,509</u>	<u>\$ 1,359,034</u>	<u>\$ 1,405,214</u>	<u>\$ 1,771,734</u>
<b>Total Active Retail Water Connections</b>	<u>543</u>	<u>543</u>	<u>543</u>	<u>542</u>	<u>543</u>
<b>Total Active Retail Wastewater Connections</b>	<u>522</u>	<u>522</u>	<u>522</u>	<u>521</u>	<u>519</u>



**Percent of Fund Total Revenues**

<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
13.9 %	16.7 %	12.0 %	13.2 %	11.0 %
32.6	35.3	40.1	41.0	48.4
7.6	7.6	9.5	7.4	7.3
38.9	37.7	35.7	35.1	27.2
0.4	0.5	1.0	0.3	0.5
0.9	0.6	0.6	0.6	0.6
4.9	0.8	0.1	1.5	4.0
0.8	0.8	1.0	0.9	1.0
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
24.1	27.5	29.9	31.9	31.7
37.5	38.5	36.5	40.8	26.9
5.7	6.8	7.9	9.6	6.7
15.8	16.1	18.3	20.8	20.6
5.0	7.8	6.7	30.5	8.7
3.9	6.7	4.6	4.5	4.6
-	0.1	0.3	-	0.1
-	-	-	-	0.7
<u>92.0</u>	<u>103.5</u>	<u>104.2</u>	<u>138.1</u>	<u>100.0</u>
<u><u>8.0 %</u></u>	<u><u>(3.5) %</u></u>	<u><u>(4.2) %</u></u>	<u><u>(38.1) %</u></u>	<u><u>0.0 %</u></u>

**Cinco Municipal Utility District No. 3**  
**Comparative Schedule of Revenues and Expenditures – Debt Service Fund**  
**Five Years Ended September 30,**

	Amounts				
	2023	2022	2021	2020	2019
<b>Debt Service Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 640,850	\$ 551,946	\$ 634,958	\$ 603,224	\$ 646,253
Penalty and interest	9,361	8,928	20,326	1,902	5,900
Investment income	13,550	2,037	103	1,499	5,857
Total revenues	<u>663,761</u>	<u>562,911</u>	<u>655,387</u>	<u>606,625</u>	<u>658,010</u>
<b>Expenditures</b>					
Current:					
Professional fees	1,114	2,577	6,896	-	1,744
Contracted services	26,282	24,928	20,018	20,081	18,202
Other expenditures	3,910	4,343	7,205	13,277	11,224
Debt service:					
Principal retirement	205,000	205,000	200,000	175,000	170,000
Interest and fees	36,300	42,791	56,052	81,870	88,799
Debt defeasance	-	-	2,000	-	-
Debt issuance costs	-	-	107,733	-	-
Contractual obligation	355,904	278,544	406,613	320,397	428,996
Total expenditures	<u>628,510</u>	<u>558,183</u>	<u>806,517</u>	<u>610,625</u>	<u>718,965</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>35,251</u>	<u>4,728</u>	<u>(151,130)</u>	<u>(4,000)</u>	<u>(60,955)</u>
<b>Other Financing Sources (Uses)</b>					
General obligation bonds issued	-	-	1,565,000	-	-
Premium on debt issued	-	-	104,949	-	-
Deposit with escrow agent	-	-	(1,553,714)	-	-
Total other financing sources	<u>0</u>	<u>0</u>	<u>116,235</u>	<u>0</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>35,251</u>	<u>4,728</u>	<u>(34,895)</u>	<u>(4,000)</u>	<u>(60,955)</u>
<b>Fund Balance, Beginning of Year</b>	<u>104,183</u>	<u>99,455</u>	<u>134,350</u>	<u>138,350</u>	<u>199,305</u>
<b>Fund Balance, End of Year</b>	<u>\$ 139,434</u>	<u>\$ 104,183</u>	<u>\$ 99,455</u>	<u>\$ 134,350</u>	<u>\$ 138,350</u>

**Percent of Fund Total Revenues**

<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
96.6 %	98.0 %	96.9 %	99.4 %	98.2 %
1.4	1.6	3.1	0.3	0.9
2.0	0.4	0.0	0.3	0.9
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.2	0.5	1.1	-	0.3
3.9	4.4	3.1	3.3	2.8
0.6	0.8	1.1	2.2	1.7
30.9	36.4	30.5	28.9	25.8
5.5	7.6	8.6	13.5	13.5
-	-	0.3	-	-
-	-	16.4	-	-
<u>53.6</u>	<u>49.5</u>	<u>62.0</u>	<u>52.8</u>	<u>65.2</u>
<u>94.7</u>	<u>99.2</u>	<u>123.1</u>	<u>100.7</u>	<u>109.3</u>
<u><u>5.3 %</u></u>	<u><u>0.8 %</u></u>	<u><u>(23.1) %</u></u>	<u><u>(0.7) %</u></u>	<u><u>(9.3) %</u></u>

**Cinco Municipal Utility District No. 3**  
**Board Members, Key Personnel and Consultants**  
**Year Ended September 30, 2023**

Complete District mailing address:	Cinco Municipal Utility District No. 3 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027
District business telephone number:	713.860.6400
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 19, 2022
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
Linda Larvin	Elected 05/22- 05/26	\$ 2,613	\$ 1,101	President
Christina Och	Elected 05/22- 05/26	2,905	1,905	Vice President
Kent Fahey	Elected 05/22- 05/26	2,526	1,481	Secretary
Douglas Schroeder	Elected 05/20- 05/24	3,276	2,323	Assistant Vice President
Mark Canady	Appointed 12/21- 05/24	1,721	167	Assistant Secretary

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

**Cinco Municipal Utility District No. 3**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Year Ended September 30, 2023**

<b>Consultants</b>	<b>Date Hired</b>	<b>Fees and Expense Reimbursements</b>	<b>Title</b>
Allen Boone Humphries Robinson LLP	07/17/03	\$ 54,916	General Counsel
BGE, Inc.	10/06/87	1,353	Engineer
District Data Services, Inc.	10/06/87	17,415	Bookkeeper
Fort Bend Central Appraisal District	Legislative Action	5,998	Appraiser
FORVIS, LLP	09/10/90	18,800	Auditor
Harris Central Appraisal District	Legislative Action	858	Appraiser
Inframark, LLC	06/16/89	133,618	Operator
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/02/95	1,114	Delinquent Tax Attorney
Rathmann & Associates, L.P.	04/23/03	0	Financial Advisor
Wheeler & Associates, Inc.	10/06/87	21,807	Tax Assessor/ Collector
<b>Investment Officers</b>			
Wendy Austin and Stephanie Viator	02/15/07	N/A	Bookkeepers