

**CINCO MUNICIPAL  
UTILITY DISTRICT NO. 12  
FORT BEND COUNTY, TEXAS  
FINANCIAL REPORT  
September 30, 2023**



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# **McGRATH & CO., PLLC**

*Certified Public Accountants*

2900 North Loop West, Suite 880

Houston, Texas 77092

## **Independent Auditor's Report**

Board of Directors  
Cinco Municipal Utility District No. 12  
Fort Bend County, Texas

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Cinco Municipal Utility District No. 12 (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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Cinco Municipal Utility District No. 12, 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. 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 the 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 twelve 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 information 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

***Board of Directors  
Cinco Municipal Utility District No. 12  
Fort Bend County, Texas***

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 Texas Supplementary Information schedules 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



Houston, Texas  
January 8, 2024

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

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***Cinco Municipal Utility District No. 12  
Management's Discussion and Analysis  
September 30, 2023***

### **Using this Annual Report**

Within this section of the financial report of Cinco Municipal Utility District No. 12 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2023. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

### **Overview of the Financial Statements**

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

### **Government-Wide Financial Statements**

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

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

***Cinco Municipal Utility District No. 12  
 Management’s Discussion and Analysis  
 September 30, 2023***

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

**Fund Financial Statements**

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

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

**Financial Analysis of the District as a Whole**

The District’s net position at September 30, 2023, was \$10,323,297. A comparative summary of the District’s overall financial position, as of September 30, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 9,760,159	\$ 9,100,061
Capital assets	722,612	757,831
Total assets	<u>10,482,771</u>	<u>9,857,892</u>
Current liabilities	<u>159,474</u>	<u>278,980</u>
Net position		
Investment in capital assets	722,612	757,831
Unrestricted	9,600,685	8,821,081
Total net position	<u>\$ 10,323,297</u>	<u>\$ 9,578,912</u>

***Cinco Municipal Utility District No. 12  
Management’s Discussion and Analysis  
September 30, 2023***

The total net position of the District increased during the current fiscal year by \$744,385. A comparative summary of the District’s *Statement of Activities* for the past two years is as follows:

	<u>2023</u>	<u>2022</u>
Revenues		
Water and sewer service	\$ 1,275,258	\$ 1,223,437
Property taxes, penalties and interest	1,117,640	1,098,243
Sales tax rebates from City of Houston	1,226,292	1,194,294
Other	486,907	156,305
Total revenues	<u>4,106,097</u>	<u>3,672,279</u>
Expenses		
Current service operations	2,168,143	2,002,618
Special projects	609,260	179,221
Contractual obligations	549,090	694,052
Depreciation	35,219	35,219
Total expenses	<u>3,361,712</u>	<u>2,911,110</u>
Change in net position	744,385	761,169
Net position, beginning of year	9,578,912	8,817,743
Net position, end of year	<u>\$ 10,323,297</u>	<u>\$ 9,578,912</u>

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

The District’s combined fund balances, as of September 30, 2023, were \$9,494,758, which consists of \$9,485,670 in the General Fund and \$9,088 in the Contract Tax Fund.

*General Fund*

A comparative summary of the General Fund’s financial position as of September 30, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 9,747,106</u>	<u>\$ 9,094,879</u>
Total liabilities	\$ 159,474	\$ 278,980
Total deferred inflows	101,962	102,362
Total fund balance	9,485,670	8,713,537
Total liabilities, deferred inflows and fund balance	<u>\$ 9,747,106</u>	<u>\$ 9,094,879</u>

***Cinco Municipal Utility District No. 12  
 Management’s Discussion and Analysis  
 September 30, 2023***

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

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 3,550,326	\$ 3,110,755
Total expenditures	<u>(2,777,403)</u>	<u>(2,181,839)</u>
Revenues over expenditures	772,923	928,916
Other changes in fund balance	<u>(790)</u>	<u>(126,592)</u>
Net change in fund balance	<u><u>\$ 772,133</u></u>	<u><u>\$ 802,324</u></u>

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because assessed values increased from prior year.
- Water, sewer and regional water authority fee revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District’s control.
- Sales tax rebates received from the City of Houston under a Strategic Partnership Agreement are dependent on consumer spending at retail stores located within the District’s boundaries and will fluctuate from year to year.

*Contract Tax Fund*

A comparative summary of the Contract Tax Fund’s financial position as of September 30, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u><u>\$ 13,053</u></u>	<u><u>\$ 5,182</u></u>
Total deferred inflows	\$ 3,965	\$ 4,212
Total fund balance	<u>9,088</u>	<u>970</u>
Total deferred inflows and fund balance	<u><u>\$ 13,053</u></u>	<u><u>\$ 5,182</u></u>

**Cinco Municipal Utility District No. 12  
Management’s Discussion and Analysis  
September 30, 2023**

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

	2023	2022
Total revenues	\$ 556,418	\$ 558,646
Total expenditures	(549,090)	(694,052)
Revenues over/(under) expenditures	7,328	(135,406)
Other changes in fund balance	790	126,592
Net change in fund balance	\$ 8,118	\$ (8,814)

The District’s financial resources in the Contract Tax Fund in both the current year and prior year are from property tax revenues, which are dependent upon assessed values in the District and the contract tax rate. While assessed values in the District increased from the prior year, contract tax revenues decreased because the District decreased the contract component of the levy. The District also transferred funds from the General Fund to the Contract Tax Fund to provide additional funds for the District’s contractual obligations during the prior year.

**General Fund Budgetary Highlights**

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

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$772,133 greater than budgeted. The *Budgetary Comparison Schedule* on page 30 of this report provides variance information per financial statement line item.

**Capital Assets**

Capital assets held by the District at September 30, 2023 and 2022, are summarized as follows:

	2023	2022
Capital assets being depreciated		
Infrastructure	\$ 1,584,837	\$ 1,584,837
Less accumulated depreciation	(862,225)	(827,006)
Capital assets, net	\$ 722,612	\$ 757,831

**Long-Term Debt and Related Liabilities**

At September 30, 2023, the District had \$18,675,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$12,480,000 for refunding purposes.

***Cinco Municipal Utility District No. 12  
 Management’s Discussion and Analysis  
 September 30, 2023***

**Next Year’s Budget**

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

	<u>2023 Actual</u>	<u>2024 Budget</u>
Total revenues	\$ 3,550,326	\$ 1,824,700
Total expenditures	<u>(2,777,403)</u>	<u>(1,962,700)</u>
Revenues over/(under) expenditures	772,923	(138,000)
Other changes in fund balance	<u>(790)</u>	<u>138,000</u>
Net change in fund balance	772,133	
Beginning fund balance	<u>8,713,537</u>	<u>9,485,670</u>
Ending fund balance	<u><u>\$ 9,485,670</u></u>	<u><u>\$ 9,485,670</u></u>

It should be noted that, subsequent to fiscal year end, the District created a Special Revenue Fund to better account for sales tax rebates from the City of Houston which are used for special projects in the District. Current period actual amounts include these activities in the General Fund, while next year’s budget does not include them.

**Property Taxes**

The District’s property tax base increased approximately \$68,616,000 for the 2023 tax year from \$457,916,076 to \$526,531,702. This increase was primarily due to increased property values. For the 2023 tax year, the District has levied a maintenance tax rate of \$0.11 per \$100 of assessed value and a contract tax rate of \$0.11 per \$100 of assessed value, for a total combined tax rate of \$0.22 per \$100 of assessed value. Tax rates for the 2022 tax year were \$0.12 per \$100 for maintenance and operations and \$0.12 per \$100 for contract tax, for a combined total of \$0.24 per \$100 of assessed value.

## **Basic Financial Statements**

*Cinco Municipal Utility District No. 12*  
*Statement of Net Position and Governmental Funds Balance Sheet*  
*September 30, 2023*

	General Fund	Contract Tax Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>					
Cash	\$ 239,763	\$ -	\$ 239,763	\$ -	\$ 239,763
Investments	8,938,511	9,088	8,947,599		8,947,599
Taxes receivable	6,962	3,965	10,927		10,927
Customer service receivables	255,114		255,114		255,114
Other receivables	24,167		24,167		24,167
Due from City of Houston	280,429		280,429		280,429
Prepaid items	2,160		2,160		2,160
Capital assets, net				722,612	722,612
Total Assets	<u>\$ 9,747,106</u>	<u>\$ 13,053</u>	<u>\$ 9,760,159</u>	<u>722,612</u>	<u>10,482,771</u>
<b>Liabilities</b>					
Accounts payable	\$ 151,016	\$ -	\$ 151,016		151,016
Other payables	6,583		6,583		6,583
Customer deposits	1,875		1,875		1,875
Total Liabilities	<u>159,474</u>		<u>159,474</u>		<u>159,474</u>
<b>Deferred Inflows of Resources</b>					
Deferred property taxes	6,962	3,965	10,927	(10,927)	
Deferred City of Houston sales tax rebates	95,000		95,000	(95,000)	
	<u>101,962</u>	<u>3,965</u>	<u>105,927</u>	<u>(105,927)</u>	
<b>Fund Balances/Net Position</b>					
<b>Fund Balances</b>					
Nonspendable	2,160		2,160	(2,160)	
Committed		9,088	9,088	(9,088)	
Unassigned	9,483,510		9,483,510	(9,483,510)	
Total Fund Balances	<u>9,485,670</u>	<u>9,088</u>	<u>9,494,758</u>	<u>(9,494,758)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,747,106</u>	<u>\$ 13,053</u>	<u>\$ 9,760,159</u>		
<b>Net Position</b>					
Investment in capital assets				722,612	722,612
Unrestricted				9,600,685	9,600,685
Total Net Position				<u>\$ 10,323,297</u>	<u>\$ 10,323,297</u>

See notes to basic financial statements.

*Cinco Municipal Utility District No. 12*

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

*For the Year Ended September 30, 2023*

	General Fund	Contract Tax Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>					
Water service	\$ 272,558	\$ -	\$ 272,558	\$ -	\$ 272,558
Sewer service	235,594		235,594		235,594
Property taxes	550,180	548,399	1,098,579	(449)	1,098,130
Penalties and interest	19,003		19,003	507	19,510
Tap connection and inspection	49,358		49,358		49,358
Regional water authority	767,106		767,106		767,106
Sales tax rebates from City of Houston	1,226,997		1,226,997	(705)	1,226,292
Miscellaneous	19,076		19,076		19,076
Investment earnings	410,454	8,019	418,473		418,473
<b>Total Revenues</b>	<b>3,550,326</b>	<b>556,418</b>	<b>4,106,744</b>	<b>(647)</b>	<b>4,106,097</b>
<b>Expenditures/Expenses</b>					
Current service operations					
Master District fees	654,948		654,948		654,948
Professional fees	139,760		139,760		139,760
Contracted services	415,121		415,121		415,121
Repairs and maintenance	112,282		112,282		112,282
Regional water authority	772,389		772,389		772,389
Administrative	46,621		46,621		46,621
Other	27,022		27,022		27,022
Special projects	609,260		609,260		609,260
Intergovernmental					
Contractual obligations		549,090	549,090		549,090
Depreciation				35,219	35,219
<b>Total Expenditures/Expenses</b>	<b>2,777,403</b>	<b>549,090</b>	<b>3,326,493</b>	<b>35,219</b>	<b>3,361,712</b>
<b>Revenues Over Expenditures</b>	<b>772,923</b>	<b>7,328</b>	<b>780,251</b>	<b>(780,251)</b>	
<b>Other Financing Sources/(Uses)</b>					
Internal transfers	(790)	790			
<b>Net Change in Fund Balances</b>	<b>772,133</b>	<b>8,118</b>	<b>780,251</b>	<b>(780,251)</b>	
<b>Change in Net Position</b>				<b>744,385</b>	<b>744,385</b>
Fund Balance/Net Position					
Beginning of the year	8,713,537	970	8,714,507	864,405	9,578,912
<b>End of the year</b>	<b>\$ 9,485,670</b>	<b>\$ 9,088</b>	<b>\$ 9,494,758</b>	<b>\$ 828,539</b>	<b>\$ 10,323,297</b>

See notes to basic financial statements.

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

The accounting policies of Cinco Municipal Utility District No. 12 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

### **Creation**

The District was organized, created and established pursuant to an order of the Texas Natural Resource Conservation Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated August 20, 1986, and operates in accordance with the Texas Water Code, Chapters 49 and 54, as amended. The first bonds were issued on December 30, 1997.

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

### **Reporting Entity**

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

### **Government-Wide and Fund Financial Statements**

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

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

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

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

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

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

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

**Measurement Focus and Basis of Accounting**

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

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

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

**Use of Restricted Resources**

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

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

**Prepaid Items**

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2023, an allowance for uncollectible accounts was not considered necessary.

**Unbilled Service Revenues**

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

**Interfund Activity**

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

**Capital Assets**

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated using the straight-line method over an estimated useful life of 45 years.

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

**Deferred Inflows and Outflows of Financial Resources**

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

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

**Net Position – Governmental Activities**

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

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

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

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District’s nonspendable fund balance consists of prepaid items.

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District’s committed fund balance consists of property taxes levied for contractual obligations in the Contract Tax Fund.

*Cinco Municipal Utility District No. 12*  
*Notes to Financial Statements*  
*September 30, 2023*

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables, the value of unbilled utility revenues and receivables and the useful lives and impairment of capital assets. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

**Cinco Municipal Utility District No. 12**  
**Notes to Financial Statements**  
**September 30, 2023**

**Note 2 – Adjustment from Governmental to Government-wide Basis**

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

Total fund balance, governmental funds		\$ 9,494,758
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
Historical cost	\$ 1,584,837	
Less accumulated depreciation	<u>(862,225)</u>	
Change due to capital assets		722,612
<p>Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.</p>		
Property taxes receivable	7,408	
Penalty and interest receivable	<u>3,519</u>	
Change due to property taxes		10,927
<p>Sales tax rebates received from the City of Houston more than 60 days after year end are not considered available in the current period and therefore, are reported as deferred inflows in governmental funds.</p>		
		95,000
Total net position - governmental activities		<u><u>\$ 10,323,297</u></u>

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

Net change in fund balances - total governmental funds		\$ 780,251
<p>Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for the following:</p>		
Property taxes and penalties and interest	\$ 58	
City of Houston sale tax rebates	<u>(705)</u>	
		(647)
<p>In the <i>Statement of Activities</i>, capital assets are depreciated over their estimated useful lives.</p>		
		(35,219)
Change in net position of governmental activities		<u><u>\$ 744,385</u></u>

**Note 3 – Deposits and Investments**

**Deposit Custodial Credit Risk**

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

**Investments**

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

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

**Cinco Municipal Utility District No. 12**  
**Notes to Financial Statements**  
**September 30, 2023**

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

**Investments (continued)**

As of September 30, 2023, the District’s investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	\$ 720,000	8%	N/A	N/A
Texas CLASS	General	8,218,511			
	Contract Tax	9,088			
		<u>8,227,599</u>	<u>92%</u>	AAAm	49 days
Total		<u>\$ 8,947,599</u>	<u>100%</u>		

The District’s investments in certificates of deposit are reported at cost.

**Texas CLASS**

The District participates in Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administer and UMB Bank N.A., as the custodian.

The District’s investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District’s investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Investments in Texas CLASS may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

**Investment Credit and Interest Rate Risk**

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

**Cinco Municipal Utility District No. 12**  
**Notes to Financial Statements**  
**September 30, 2023**

**Note 4 – Interfund Balances and Transactions**

A summary of internal transfers for the current fiscal year is as follows:

Transfers Out	Transfers In	Amounts	Purpose
General Fund	Contract Tax Fund	\$ 790	General fund contribution to Master District contract tax obligations

**Note 5 – Capital Assets**

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

	Beginning Balances	Additions	Ending Balances
Capital assets being depreciated			
Infrastructure	\$ 1,584,837	\$ -	\$ 1,584,837
Less accumulated depreciation	(827,006)	(35,219)	(862,225)
Capital assets, net	<u>\$ 757,831</u>	<u>\$ (35,219)</u>	<u>\$ 722,612</u>

Depreciation expense for the current year was \$35,219.

**Note 6 – Long-Term Debt**

At September 30, 2023, the District had authorized but unissued bonds in the amount of \$18,675,000 for water, sewer and drainage facilities and \$12,480,000 for refunding purposes.

**Note 7 – Property Taxes**

On August 14, 1993, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.00 per \$100 of assessed value.

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of \$0.24 per \$100 of assessed value, of which \$0.12 was allocated to maintenance and operations and \$0.12 was allocated to contract tax. The resulting tax levy was \$1,098,998 on the adjusted taxable value of \$457,916,076.

**Cinco Municipal Utility District No. 12**  
**Notes to Financial Statements**  
**September 30, 2023**

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

Property taxes receivable, at September 30, 2023, consisted of the following:

Current year taxes receivable	\$ 724
Prior years taxes receivable	6,684
	<u>7,408</u>
Penalty and interest receivable	3,519
Property taxes receivable	<u><u>\$ 10,927</u></u>

**Note 8 – Master District**

On June 24, 1993, the District entered into a contract (the “Contract”), as amended, with Cinco Municipal Utility District No. 1 (the “Master District”) whereby the Master District agrees to provide or cause to be provided the regional water supply and distribution facilities and the wastewater collection, treatment and disposal facilities necessary to serve all districts located within the Master District’s service area.

On March 4, 2008, the Contract was amended to permit the Master District to design, test, construct, maintain and finance a water re-use system with a maximum of \$20,000,000 authorized in bonds for such system (without prior approval from all participant districts within the Master District’s system). On September 9, 2019, the Contract was amended to provide for (i) an extension of the Contract’s term until January 1, 2063; (ii) an expansion of the bond authorization for the Master District’s system facilities in the amount of \$50,000,000; (iii) an expansion of the bond authorization for the Master District re-use system in the amount of \$30,000,000; and (iv) the addition of residency requirements for Master District directors appointed to fill a board vacancy on the Master District Board of Directors.

**Master District Fees**

Under the terms of the Contract, which is in effect until January 1, 2063, the Master District charges the participants a monthly reservation of capacity fee, which is calculated by multiplying the unit cost per connection by the number of equivalent single family residential connections reserved to each participant. For the year ended September 30, 2023, the monthly cost per connection was \$34.75. The District’s total cost for the fiscal year was \$654,948.

**Master District Debt Service**

The Master District is authorized to issue bonds for the purpose of acquiring and constructing facilities needed to provide services to all participating districts. The District shall contribute to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts. For the 2022 tax year, the District’s pro rata share is 10.54%. The District levied a contract tax rate of \$0.12 per \$100 of assessed valuation and paid \$549,090 to the Master District for its pro-rata share of Master District debt service payments.

*Cinco Municipal Utility District No. 12*  
*Notes to Financial Statements*  
*September 30, 2023*

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

**Master District Debt Service (continued)**

As of September 30, 2023, the Master District has \$69,155,000 contract revenue and refunding bonds outstanding. The Master District’s debt service requirements on contract revenue and refunding bonds outstanding are as follows:

Year	Principal	Interest	Total
2024	\$ 4,960,000	\$ 2,004,107	\$ 6,964,107
2025	3,365,000	1,877,288	5,242,288
2026	3,050,000	1,791,600	4,841,600
2027	3,045,000	1,714,125	4,759,125
2028	3,035,000	1,641,825	4,676,825
2029-2033	16,215,000	7,173,887	23,388,887
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
	\$ 69,155,000	\$ 22,454,307	\$ 91,609,307

**Note 9 – Regional Water Authority**

The District is within the boundaries of the North Fort Bend Regional Water Authority (the “Authority”), which was created by the Texas Legislature. The Authority is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Coastal Subsidence District, which regulates groundwater withdrawal.

As of January 1, 2023, the Authority’s rates are \$4.55 per 1,000 gallons of water for groundwater supplied to the Master District. The Master District then sells the groundwater to its districts at a variable cost based on each district’s monthly consumption percentage of the total water supplied to the Master District that month. The District then sells the groundwater to its customers based on the Authority’s rate at a 6.5% markup, for a total rate of \$4.85 per 1,000 gallons of water. These rates are subject to future increases. During the current year, the District recognized \$767,106 in revenues and \$772,389 in expenditures for regional water authority fees.

*Cinco Municipal Utility District No. 12*  
*Notes to Financial Statements*  
*September 30, 2023*

**Note 10 – Strategic Partnership Agreement with the City of Houston**

Effective April 7, 2005, the District and the City of Houston (the “City”) entered into a Strategic Partnership Agreement (the “Agreement”), under which the City annexed a tract of land within the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district. The City imposed a 1% sales and use tax on all retailers within the tract and agreed to remit one-half of the amount collected to the District on a monthly basis. The City agrees that it will not annex all or part of the District during the thirty-year term of this agreement. During the current year, the District recorded \$1,226,292 in sales tax rebates from the City pursuant to this agreement.

**Note 11 – Interlocal Agreement**

The District entered into an Interlocal Agreement for Recreational Facilities (the “Interlocal Agreement”) dated July 9, 2013, with Willow Fork Drainage District (“WFDD”). Per the Interlocal Agreement, the District is to contribute \$50,000 annually to WFDD for costs associated with event planning for Central Green. During the current year the District made an additional contribution in the amount of \$250,000.

**Note 12 – Risk Management**

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

## **Required Supplementary Information**

***Cinco Municipal Utility District No. 12***  
***Required Supplementary Information - Budgetary Comparison Schedule - General Fund***  
***For the Year Ended September 30, 2023***

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Water service	\$ 261,000	\$ 272,558	\$ 11,558
Sewer service	233,000	235,594	2,594
Property taxes	505,000	550,180	45,180
Penalties and interest	12,000	19,003	7,003
Tap connection and inspection	48,000	49,358	1,358
Surface water	717,000	767,106	50,106
Sales tax rebates from City of Houston	1,190,000	1,226,997	36,997
Miscellaneous	15,000	19,076	4,076
Investment earnings	108,700	410,454	301,754
<b>Total Revenues</b>	<u>3,089,700</u>	<u>3,550,326</u>	<u>460,626</u>
<b>Expenditures</b>			
Current service operations			
Master District fees	620,000	654,948	(34,948)
Professional fees	141,200	139,760	1,440
Contracted services	381,500	415,121	(33,621)
Repairs and maintenance	133,800	112,282	21,518
Surface water fees	705,000	772,389	(67,389)
Administrative	51,600	46,621	4,979
Other	30,200	27,022	3,178
Special projects	991,400	609,260	382,140
<b>Total Expenditures</b>	<u>3,054,700</u>	<u>2,777,403</u>	<u>277,297</u>
<b>Revenues Over Expenditures</b>	35,000	772,923	737,923
<b>Other Financing Uses</b>			
Internal transfers	<u>(35,000)</u>	<u>(790)</u>	<u>34,210</u>
<b>Net Change in Fund Balance</b>		772,133	772,133
<b>Fund Balance</b>			
Beginning of the year	8,713,537	8,713,537	
<b>End of the year</b>	<u>\$ 8,713,537</u>	<u>\$ 9,485,670</u>	<u>\$ 772,133</u>

*Cinco Municipal Utility District No. 12*  
*Notes to Required Supplementary Information*  
*September 30, 2023*

**Budgets and Budgetary Accounting**

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

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## **Texas Supplementary Information**

**Cinco Municipal Utility District No. 12**  
**TSI-1. Services and Rates**  
**September 30, 2023**

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

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

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels	
Water:	\$ 15.75	10,000	N	\$ 2.00	10,001 to	20,000
				\$ 3.00	20,001 to	35,000
				\$ 4.50	35,001 to	no limit
Wastewater:	\$ -	1,000	N	\$ 1.45	1,001 to	no limit
NFBWA fee:	\$ -	- 0 -	N	\$ 4.85	0 to	no limit

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \$ 64.25 Wastewater \$ 14.50

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
3/4" or less	66	66	x 1.0	66
1"	155	154	x 2.5	385
1.5"	25	25	x 5.0	125
2"	83	82	x 8.0	656
3"	1	1	x 15.0	15
4"	1	1	x 25.0	25
6"	2	2	x 50.0	100
8"	5	5	x 80.0	400
10"			x 115.0	
Total Water	338	336		1,772
Total Wastewater	271	271	x 1.0	271

See accompanying auditor's report.

**Cinco Municipal Utility District No. 12**  
**TSI-1. Services and Rates**  
**September 30, 2023**

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

* Gallons purchased:	<u>156,366,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>156,366,000</u>	(Gallons billed / Gallons purchased)
		<u>100.00%</u>

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

Does the District have Debt Service standby fees? Yes  No

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

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

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

5. Location of District

Is the District located entirely within one county? Yes  No

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

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

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

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

ETJs in which the District is located: City of Houston

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

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

\* Purchased from Cinco Municipal Utility District No. 1

See accompanying auditors' report.

*Cinco Municipal Utility District No. 12  
TSI-2 General Fund Expenditures  
For the Year Ended September 30, 2023*

Master District fees	<u>\$ 654,948</u>
Professional fees	
Legal	88,072
Audit	15,000
Engineering	36,688
	<u>139,760</u>
Contracted services	
Bookkeeping	52,048
Operator	65,475
Garbage collection	54,083
Tap connection and inspection	62,787
Tax assessor/collector	25,982
Appraisal district fees	9,606
Security	140,730
Delinquent tax attorney	4,410
	<u>415,121</u>
Repairs and maintenance	<u>112,282</u>
Surface water fees	<u>772,389</u>
Administrative	
Directors fees	16,380
Printing and office supplies	6,695
Insurance	10,827
Other	12,719
	<u>46,621</u>
Other	<u>27,022</u>
Special projects	
Community outreach	300,000
Smart meter installation	308,911
Other	349
	<u>609,260</u>
Total expenditures	<u><u>\$ 2,777,403</u></u>

See accompanying auditors' report.

*Cinco Municipal Utility District No. 12*  
*TSI-3. Investments*  
*September 30, 2023*

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Interest Receivable</u>
General				
Texas CLASS	Variable	N/A	\$ 8,218,511	\$ -
Certificate of deposit	3.69%	10/01/23	240,000	8,856
Certificate of deposit	3.50%	10/02/23	240,000	8,446
Certificate of deposit	4.00%	01/12/24	240,000	6,865
			<u>8,938,511</u>	<u>24,167</u>
Contract Tax				
Texas CLASS	Variable	N/A	<u>9,088</u>	<u>          </u>
Total - All Funds			<u>\$ 8,947,599</u>	<u>\$ 24,167</u>

See accompanying auditors' report.

**Cinco Municipal Utility District No. 12**  
**TSI-4. Taxes Levied and Receivable**  
**September 30, 2023**

	Maintenance Taxes	Contract Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 3,643	\$ 4,212	\$ 7,855	
Adjustments	(1,207)	(1,347)	(2,554)	
Adjusted Receivable	2,436	2,865	5,301	
2022 Original Tax Levy	540,720	540,720	1,081,440	
Adjustments	8,779	8,779	17,558	
Adjusted Tax Levy	549,499	549,499	1,098,998	
Total to be accounted for	551,935	552,364	1,104,299	
Tax collections				
Current year	549,137	549,137	1,098,274	
Prior years	(645)	(738)	(1,383)	
Total Collections	548,492	548,399	1,096,891	
Taxes Receivable, End of Year	\$ 3,443	\$ 3,965	\$ 7,408	
Taxes Receivable, By Years				
2022	\$ 362	\$ 362	\$ 724	
2021	778	843	1,621	
2020	1,086	1,176	2,262	
2019 and prior	1,217	1,584	2,801	
	\$ 3,443	\$ 3,965	\$ 7,408	
	2022	2021	2020	2019
Property Valuations				
Land	\$ 100,718,110	\$ 101,028,900	\$ 96,619,150	\$ 93,812,580
Improvements	373,948,942	328,624,991	321,373,632	304,782,933
Personal Property	44,142,276	41,434,190	40,354,789	43,429,440
Exemptions	(60,893,252)	(41,650,321)	(36,561,811)	(37,700,734)
Total Property Valuations	\$ 457,916,076	\$ 429,437,760	\$ 421,785,760	\$ 404,324,219
Tax Rates per \$100 Valuation				
Maintenance tax rates	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12
Contract tax rates	0.12	0.13	0.13	0.13
	\$ 0.24	\$ 0.25	\$ 0.25	\$ 0.25
Adjusted Tax Levy	\$ 1,098,998	\$ 1,073,594	\$ 1,054,464	\$ 1,010,811
Percentage of Taxes Collected to Taxes Levied **	99.93%	99.84%	99.78%	99.80%

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.00 on August 14, 1993

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

See accompanying auditors' report.

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**Cinco Municipal Utility District No. 12**

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

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Water service	\$ 272,558	\$ 256,943	\$ 245,188	\$ 234,051	\$ 263,109
Sewer service	235,594	228,336	239,246	267,024	265,288
Property taxes	550,180	515,385	511,877	480,488	461,904
Penalties and interest	19,003	25,375	45,725	9,085	16,092
Tap connection and inspection	49,358	78,103	36,867	5,010	4,325
Surface water	767,106	738,158	670,594	594,994	568,745
Sales tax rebates from City of Houston	1,226,997	1,191,848	1,167,717	798,633	1,091,815
Landscaping reimbursement					164,739
Miscellaneous	19,076	18,784	23,731	200	
Investment earnings	410,454	57,823	9,922	56,833	128,306
<b>Total Revenues</b>	<b>3,550,326</b>	<b>3,110,755</b>	<b>2,950,867</b>	<b>2,446,318</b>	<b>2,964,323</b>
Expenditures					
Current service operations					
Master District fees	654,948	602,234	575,352	535,572	528,024
Professional fees	139,760	120,306	122,943	112,752	136,785
Contracted services	415,121	405,512	306,638	236,632	207,070
Repairs and maintenance	112,282	86,367	160,374	122,495	70,082
Surface water fees	772,389	729,749	630,394	582,635	569,366
Administrative	46,621	39,988	50,587	44,186	43,548
Other	27,022	18,462	12,895	3,876	2,946
Special projects	609,260	179,221	192,244	469,518	401,859
<b>Total Expenditures</b>	<b>2,777,403</b>	<b>2,181,839</b>	<b>2,051,427</b>	<b>2,107,666</b>	<b>1,959,680</b>
Revenues Over Expenditures	<b>\$ 772,923</b>	<b>\$ 928,916</b>	<b>\$ 899,440</b>	<b>\$ 338,652</b>	<b>\$ 1,004,643</b>
Total Active Retail Water Connections	336	338	333	335	335
Total Active Retail Wastewater Connections	271	271	270	270	270

\* Amount negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
8%	8%	8%	10%	9%
7%	7%	8%	11%	9%
15%	17%	17%	20%	16%
1%	1%	2%	*	1%
1%	3%	1%	*	*
22%	24%	23%	24%	19%
34%	38%	40%	33%	36%
				6%
1%	1%	1%	*	
11%	1%	*	2%	4%
100%	100%	100%	100%	100%

18%	19%	19%	22%	18%
4%	4%	4%	5%	5%
12%	13%	10%	10%	7%
3%	3%	5%	5%	2%
22%	23%	21%	24%	19%
1%	1%	2%	2%	1%
1%	1%	*	*	*
17%	6%	7%	19%	14%
78%	70%	68%	87%	66%
22%	30%	32%	13%	34%

**Cinco Municipal Utility District No. 12**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**September 30, 2023**

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600  
District Business Telephone Number: (713) 860 - 6408  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): September 11, 2023  
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members:</b>				
Stephanie Faulk	05/20 - 05/24	\$ 3,276	\$ 175	President
Dana Cleland	05/22 - 05/26	3,718	76	Vice President
William Cary	05/22 - 05/26	2,534	18	Secretary
Neill Hurley	05/20 - 05/24	3,055	1,704	Assistant Secretary
Tim Kubiak	05/20 - 05/24	3,797	2,723	Assistant Vice President
<b>Consultants:</b>				
		<u>Amounts Paid</u>		
Allen Boone Humphries Robinson LLP <i>General legal fees</i>	07/03	\$ 93,245		Attorney
Inframark, LLC	11/17	223,727		Operator
Municipal Accounts & Consulting, L.P.	12/20	51,229		Bookkeeper
Wheeler & Associates, Inc.	08/09	9,764		Tax Collector
Fort Bend Central Appraisal District	Legislative	9,606		Property Valuation
Ted Cox, P.C.	12/20	4,410		Delinquent Tax Attorney
AECOM Technical Services, Inc.	03/09	31,838		Engineer
McGrath & Co., PLLC	10/13	15,000		Auditor
Rathmann & Associates, LP	09/96			Financial Advisor
Sales Revenue, Inc.	09/13	8,502		Sales Tax Consultant

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