

**FLAMINGO ISLES MUNICIPAL
UTILITY DISTRICT OF
GALVESTON COUNTY**

GALVESTON COUNTY, TEXAS

FINANCIAL REPORT

March 31, 2014

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Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditors' Report		1
Management's Discussion and Analysis		5
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Funds Balance Sheet		12
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		13
Notes to Basic Financial Statements		15
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		28
Notes to Required Supplementary Information		29
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	33
General Fund Expenditures	TSI-2	35
Investments	TSI-3	36
Taxes Levied and Receivable	TSI-4	37
Long-Term Debt Service Requirements by Years	TSI-5	38
Change in Long-Term Bonded Debt	TSI-6	39
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	40
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	42
Board Members, Key Personnel and Consultants	TSI-8	44

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McGrath & Co., PLLC

Certified Public Accountants

P.O. Box 270148
Houston, Texas 77277

Mark W. McGrath CPA
mark@mcgrath-co.com

Colette M. Garcia CPA
colette@mcgrath-co.com

Independent Auditors' Report

Board of Directors
Flamingo Isles Municipal Utility District of Galveston County
Galveston County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Flamingo Isles Municipal Utility District of Galveston County, as of and for the year ended March 31, 2014, which collectively comprise the basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Flamingo Isles Municipal Utility District of Galveston County
Galveston County, Texas

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Flamingo Isles Municipal Utility District of Galveston County, as of March 31, 2014, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

McGuath & Co, P.C.

Houston, Texas
June 24, 2014

Management's Discussion and Analysis

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***Flamingo Isles Municipal Utility District of Galveston County
Management's Discussion and Analysis
March 31, 2014***

Using this Annual Report

Within this section of the financial report of Flamingo Isles Municipal Utility District of Galveston County (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 March 31, 2014. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

**Flamingo Isles Municipal Utility District of Galveston County
Management's Discussion and Analysis
March 31, 2014**

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

In the government-wide statements, net position is the residual of assets plus deferred outflows of resources less liabilities less deferred inflows of resources. The District's net position at March 31, 2014, was negative \$7,005,021. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities which it conveys to the City of Hitchcock.

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.

A comparative summary of the District's overall financial position, as of March 31, 2014 and 2013, is as follows:

	2014	2013
Current and other assets	\$ 970,406	\$ 1,041,099
Capital assets	15,679,438	16,112,706
Total assets	<u>16,649,844</u>	<u>17,153,805</u>
Current liabilities	131,659	139,455
Long-term liabilities	23,523,206	23,628,217
Total liabilities	<u>23,654,865</u>	<u>23,767,672</u>
Net position		
Net investment in capital assets	(4,676,452)	(4,329,326)
Restricted	635,403	718,196
Unrestricted	(2,963,972)	(3,002,737)
Total net position	<u>\$ (7,005,021)</u>	<u>\$ (6,613,867)</u>

Flamingo Isles Municipal Utility District of Galveston County
Management's Discussion and Analysis
March 31, 2014

The total net position of the District decreased by \$391,154. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2014	2013
Revenues		
Property taxes, penalties and interest	\$ 401,183	\$ 407,881
Other	6,908	6,600
Total revenues	<u>408,091</u>	<u>414,481</u>
Expenses		
Operating and administrative	134,320	87,953
Interest and fees	231,657	235,659
Depreciation	433,268	433,268
Total expenses	<u>799,245</u>	<u>756,880</u>
Change in net position	(391,154)	(342,399)
Net position, beginning of year	<u>(6,613,867)</u>	<u>(6,271,468)</u>
Net position, end of year	<u>\$ (7,005,021)</u>	<u>\$ (6,613,867)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of March 31, 2014, were \$948,775, which consists of \$307,395 in the General Fund and \$641,380 in the Debt Service Fund.

General Fund

Comparative summaries of the General Fund's financial position and activities for the current and prior fiscal year are as follows:

	2014	2013
Total Assets	<u>\$ 314,734</u>	<u>\$ 302,623</u>
Total liabilities	\$ 1,390	\$ 14,175
Total deferred inflows	5,949	5,298
Total fund balance	<u>307,395</u>	<u>283,150</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 314,734</u>	<u>\$ 302,623</u>
Total revenues	\$ 146,725	\$ 142,991
Total expenditures	<u>(122,480)</u>	<u>(117,471)</u>
Revenues over expenditures	<u>\$ 24,245</u>	<u>\$ 25,520</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. As a result, fund balance in the General Fund for the current year and prior year has increased.

**Flamingo Isles Municipal Utility District of Galveston County
Management's Discussion and Analysis
March 31, 2014**

Debt Service Fund

Comparative summaries of the financial position and activities of the Debt Service Fund for the current and prior fiscal year are as follows:

	2014	2013
Total Assets	<u>\$ 655,672</u>	<u>\$ 738,476</u>
Total liabilities	\$ 1,426	\$ 1,437
Total deferred inflows	12,866	12,331
Total fund balance	641,380	724,708
Total liabilities, deferred inflows and fund balance	<u>\$ 655,672</u>	<u>\$ 738,476</u>
Total revenues	\$ 260,180	\$ 280,069
Total expenditures	<u>(343,508)</u>	<u>(345,301)</u>
Revenues under expenditures	<u>\$ (83,328)</u>	<u>\$ (65,232)</u>

The District's financial resources in the Debt Service fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in a decrease in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

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 \$27,477 less than budgeted. The *Budgetary Comparison Schedule* on page 28 of this report provides variance information per financial statement line item.

Capital Assets

Capital assets held by the District at March 31, 2014 and 2013 are summarized as follows:

	2014	2013
Capital assets being depreciated		
Infrastructure	\$ 19,497,080	\$ 19,497,080
Less accumulated depreciation	<u>(3,817,642)</u>	<u>(3,384,374)</u>
Capital assets, net	<u>\$ 15,679,438</u>	<u>\$ 16,112,706</u>

**Flamingo Isles Municipal Utility District of Galveston County
Management's Discussion and Analysis
March 31, 2014**

Long-Term Debt

At March 31, 2014 and 2013, the District had total bonded debt outstanding as shown below:

<u>Series</u>	<u>2014</u>	<u>2013</u>
2007	<u>\$ 4,100,000</u>	<u>\$ 4,205,000</u>

At March 31, 2014, the District had \$52,070,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; the reclamation and drainage of land; and providing for the navigation of canals within the District.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and the projected cost of operating the District. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	<u>2014 Actual</u>	<u>2015 Budget</u>
Total revenues	\$ 146,725	\$ 145,725
Total expenditures	<u>(122,480)</u>	<u>(125,320)</u>
Revenues over expenditures	24,245	20,405
Beginning fund balance	283,150	307,395
Ending fund balance	<u>\$ 307,395</u>	<u>\$ 327,800</u>

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Basic Financial Statements

Flamingo Isles Municipal Utility District of Galveston County
Statement of Net Position and Governmental Funds Balance Sheet
March 31, 2014

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 72,647	\$ 172,717	\$ 245,364	\$ -	\$ 245,364
Investments	235,000	470,000	705,000		705,000
Taxes receivable	5,949	12,866	18,815		18,815
Accrued interest receivable	338	889	1,227		1,227
Internal balances	800	(800)			
Capital assets, net of depreciation				15,679,438	15,679,438
Total Assets	\$ 314,734	\$ 655,672	\$ 970,406	15,679,438	16,649,844
Liabilities					
Other payables	\$ 1,390	\$ 1,426	\$ 2,816		2,816
Accrued interest payable				18,843	18,843
Due to developers				19,634,646	19,634,646
Long-term debt					
Due within one year				110,000	110,000
Due after one year				3,888,560	3,888,560
Total Liabilities	1,390	1,426	2,816	23,652,049	23,654,865
Deferred Inflows of Resources					
Deferred property taxes	5,949	12,866	18,815	(18,815)	
Fund Balances/Net Position					
Fund Balances					
Restricted		641,380	641,380	(641,380)	
Unassigned	307,395		307,395	(307,395)	
Total Fund Balances	307,395	641,380	948,775	(948,775)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 314,734	\$ 655,672	\$ 970,406		
Net Position					
Net investment in capital assets				(4,676,452)	(4,676,452)
Restricted for debt service				635,403	635,403
Unrestricted				(2,963,972)	(2,963,972)
Total Net Position				\$ (7,005,021)	\$ (7,005,021)

See notes to basic financial statements.

Flamingo Isles Municipal Utility District of Galveston County
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2014

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Property taxes	\$ 141,028	\$ 254,150	\$ 395,178	\$ 1,186	\$ 396,364
Penalties and interest		4,819	4,819		4,819
Miscellaneous	4,950		4,950		4,950
Investment earnings	747	1,211	1,958		1,958
Total Revenues	146,725	260,180	406,905	1,186	408,091
Expenditures/Expenses					
Operating and administrative					
Professional fees	72,543		72,543		72,543
Contracted services	9,366	10,669	20,035		20,035
Repairs and maintenance	36,128		36,128		36,128
Administrative	4,443	1,171	5,614		5,614
Debt service					
Principal		105,000	105,000	(105,000)	
Interest and fees		226,668	226,668	4,989	231,657
Depreciation				433,268	433,268
Total Expenditures/Expenses	122,480	343,508	465,988	333,257	799,245
Revenues over (under) expenditures	24,245	(83,328)	(59,083)	59,083	
Change in Net Position				(391,154)	(391,154)
Fund Balance/Net Position					
Beginning of the year	283,150	724,708	1,007,858	(7,621,725)	(6,613,867)
End of the year	\$ 307,395	\$ 641,380	\$ 948,775	\$ (7,953,796)	\$ (7,005,021)

See notes to basic financial statements.

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Flamingo Isles Municipal Utility District of Galveston County
Notes to Basic Financial Statements
March 31, 2014

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Flamingo Isles Municipal Utility District of Galveston County (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to a statute enacted by the Texas Legislature, effective June 17, 1965, and operates in accordance with its enabling legislation and the Texas Water Code, Chapters 49 and 51. The District became dormant for a number of years. On January 21, 2003, the Texas Commission on Environmental Quality (the “TCEQ”) appointed five directors to the District and the District was reactivated. The Board of Directors held its first meeting on February 13, 2003 and the first bonds were sold on June 26, 2007.

The District is responsible for providing water and sewer facilities within the District, reclaiming land and providing for drainage of land within the District and providing for navigation of its coastal and inland waters through the construction and maintenance of bulkheading and the dredging for canals and channels. The water and sewer facilities constructed by the District are conveyed to the City of Hitchcock for maintenance and operation. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The Governmental Accounting Standards Board has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.

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

Measurement Focus and Basis of Accounting

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

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes and interest earned on investments. 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.

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Restricted Resources

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At March 31, 2014, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

Capital assets, which primarily consist of bulkheads, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. The District has not capitalized interest incurred during the construction of its capital assets.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Infrastructure is depreciated using the straight-line method over 45 years.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of property taxes levied for debt service in the Debt Service Fund.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectibility of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Flamingo Isles Municipal Utility District of Galveston County
Notes to Basic Financial Statements
March 31, 2014

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		\$ 948,775
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 19,497,080	
Less accumulated depreciation	<u>(3,817,642)</u>	
Change due to capital assets		15,679,438
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds, the difference consists of:		
Bonds payable, net	(3,998,560)	
Interest payable on bonds	<u>(18,843)</u>	
Change due to long-term debt		(4,017,403)
Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .		(19,634,646)
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.		
Property taxes receivable	16,643	
Penalty and interest receivable	<u>2,172</u>	
Change due to property taxes		18,815
Total net position - governmental activities		<u><u>\$ (7,005,021)</u></u>

Flamingo Isles Municipal Utility District of Galveston County
Notes to Basic Financial Statements
March 31, 2014

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

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

Net change in fund balances - total governmental funds	\$ (59,083)
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes.	1,186
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.	
Principal payments	\$ 105,000
Interest expense accrual	<u>(4,989)</u>
	100,011
In the <i>Statement of Activities</i> , the cost of capital assets is charged to depreciation expense over the estimated useful life of the asset.	(433,268)
Change in net position of governmental activities	<u><u>\$ (391,154)</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.

Flamingo Isles Municipal Utility District of Galveston County
Notes to Basic Financial Statements
March 31, 2014

Note 3 – Deposits and Investments (continued)

Investments

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

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

As of March 31, 2014, the District's investments consist of the following:

Type	Fund	Carrying Value
Certificates of deposit	General	\$ 235,000
	Debt Service	470,000
Total		\$ 705,000

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

Note 4 – Amounts Due to/from Other Funds

Amounts due to/from other funds at March 31, 2014, consist of the following:

	Interfund	
	Receivable	Payable
General Fund	\$ 800	\$ -
Debt Service Fund		800
	\$ 800	\$ 800

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

Flamingo Isles Municipal Utility District of Galveston County
Notes to Basic Financial Statements
March 31, 2014

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended March 31, 2014, follows:

	Beginning Balances	Additions	Ending Balances
Capital assets being depreciated			
Infrastructure	\$ 19,497,080	\$ -	\$ 19,497,080
Less accumulated depreciation	(3,384,374)	(433,268)	(3,817,642)
Capital assets, net	<u>\$ 16,112,706</u>	<u>\$ (433,268)</u>	<u>\$ 15,679,438</u>

Depreciation expense for the current year was \$433,268.

Note 6 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer and drainage facilities. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ. The District does not record the capital asset and related liability on the government wide statements until construction of the facilities is complete.

The amount due to developers at March 31, 2014 is \$19,634,646. There was no change in this liability from the prior year.

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 4,100,000
Unamortized discounts	(101,440)
	<u>\$ 3,998,560</u>
 Due within one year	 <u>\$ 110,000</u>

The District's bonds payable at March 31, 2014, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2007	\$ 4,100,000	\$ 4,490,000	5.2% to 5.5%	March 1, 2011/2035	September 1, March 1	March 1, 2015

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

Flamingo Isles Municipal Utility District of Galveston County
Notes to Basic Financial Statements
March 31, 2014

Note 7 – Long-Term Debt (continued)

At March 31, 2014, the District had authorized but unissued bonds in the amount of \$52,070,000 for water and sanitary sewer facilities; the reclamation and drainage of land; and providing for navigation of canals within the District.

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

Bonds payable, beginning of year	\$ 4,205,000
Bonds retired	<u>(105,000)</u>
Bonds payable, end of year	<u><u>\$ 4,100,000</u></u>

As of March 31, 2014, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2015	\$ 110,000	\$ 220,605	\$ 330,605
2016	120,000	214,830	334,830
2017	125,000	208,590	333,590
2018	130,000	202,090	332,090
2019	140,000	195,330	335,330
2020	150,000	188,050	338,050
2021	155,000	180,250	335,250
2022	165,000	172,190	337,190
2023	175,000	163,610	338,610
2024	185,000	154,510	339,510
2025	195,000	144,890	339,890
2026	205,000	134,750	339,750
2027	215,000	123,475	338,475
2028	230,000	111,650	341,650
2029	240,000	99,000	339,000
2030	255,000	85,800	340,800
2031	265,000	71,775	336,775
2032	260,000	57,200	317,200
2033	260,000	42,900	302,900
2034	260,000	28,600	288,600
2035	260,000	14,300	274,300
	<u><u>\$ 4,100,000</u></u>	<u><u>\$ 2,814,395</u></u>	<u><u>\$ 6,914,395</u></u>

Note 9 – Property Taxes

On December 2, 2004, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$2.00 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Flamingo Isles Municipal Utility District of Galveston County
Notes to Basic Financial Statements
March 31, 2014

Note 9 – Property Taxes (continued)

All property values and exempt status, if any, are determined by the Galveston 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 2013 fiscal year was financed through the 2012 tax levy. The District levied property taxes of \$0.5875 per \$100 of assessed value, of which \$0.21 was allocated to maintenance and operations and \$0.3775 was allocated to debt service. The resulting tax levy was \$396,364 on the adjusted taxable value of \$67,466,200.

Net property taxes receivable, at March 31, 2014, consisted of the following:

Current year taxes receivable	\$ 14,022
Prior years taxes receivable	2,621
	<u>16,643</u>
Penalty and interest receivable	2,172
Net property taxes receivable	<u><u>\$ 18,815</u></u>

Note 10 – Agreement with the City of Hitchcock

On February 1, 2005, the District entered into an agreement with the City of Hitchcock (the “City”) for the term of ninety-nine years. Pursuant to the agreement, the District’s developer will finance the construction of water and sewer system facilities to serve the District. Portions of the costs of constructing these facilities will be reimbursed to the developer by Reinvestment Zone One, City of Hitchcock, Texas (the “Zone”) and by the District. The District has agreed to reimburse a developer from the proceeds of bonds to be issued for certain eligible project costs associated with the construction of the facilities. The Zone will reimburse the developer from tax proceeds arising from taxation within the Zone. The facilities will be conveyed to the City at no cost to the City. Upon the City’s acceptance of each segment of the expansion of the facilities, the water and sewer facilities will be owned and operated by the City as part of the City’s water and sewer system. The City will charge its customary water and sewer rates to users within the District who will be customers of the City.

The developer advanced funds on behalf of the Zone and the District to dredge channels and build bulkheads on the channels. The District has agreed to accept each segment of bulkhead as it is completed and to maintain the bulkhead that is completed by the developer. The District levies a property tax to pay debt service on its bonds and to pay maintenance and operating expenses, including bulkhead maintenance.

To the extent that the City has the legal authority to do so, the City consents to the organization and operation of the District as it is currently constituted and agrees that it will not take any action to dissolve the District during the term of the agreement.

***Flamingo Isles Municipal Utility District of Galveston County
Notes to Basic Financial Statements
March 31, 2014***

Note 11 – Risk Management

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

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Required Supplementary Information

Flamingo Isles Municipal Utility District of Galveston County
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended March 31, 2014

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 137,922	\$ 141,028	\$ 3,106
Miscellaneous		4,950	4,950
Investment earnings	300	747	447
Total Revenues	<u>138,222</u>	<u>146,725</u>	<u>8,503</u>
Expenditures			
Operating and administrative			
Professional fees	50,800	72,543	(21,743)
Contracted services	12,000	9,366	2,634
Repairs and maintenance	17,500	36,128	(18,628)
Administrative	6,200	4,443	1,757
Total Expenditures	<u>86,500</u>	<u>122,480</u>	<u>(35,980)</u>
Revenues Over Expenditures	51,722	24,245	(27,477)
Fund Balance			
Beginning of the year	283,150	283,150	
End of the year	<u>\$ 334,872</u>	<u>\$ 307,395</u>	<u>\$ (27,477)</u>

***Flamingo Isles Municipal Utility District of Galveston County
Notes to Required Supplementary Information
March 31, 2014***

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

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Flamingo Isles Municipal Utility District of Galveston County
TSI-1. Services and Rates
March 31, 2014

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

- Retail Water Wholesale Water Solid Waste / Garbage Drainage
 Retail Wastewater Wholesale Wastewater Flood Control Irrigation
 Parks / Recreation Fire Protection Roads Security
 Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
 Other (Specify): Navigation, dredging, bulkheading - water and sewer services provided by the City of Hitchcock

2. Retail Service Providers

(You may omit this information if your district does not provide retail services)

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:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.

Flamingo Isles Municipal Utility District of Galveston County
TSI-1. Services and Rates
March 31, 2014

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):
 (You may omit this information if your district does not provide water)

Gallons pumped into system:	<u> N/A </u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u> N/A </u>	<u> N/A </u>

4. Standby Fees (authorized only under TWC Section 49.231):
 (You may omit this information if your district does not levy standby fees)

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

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

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Galveston County

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

City(ies) in which the District is located: City of Hitchcock

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

ETJs in which the District is located: _____

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

If Yes, by whom? _____

See accompanying auditors' report.

Flamingo Isles Municipal Utility District of Galveston County
TSI-2 General Fund Expenditures
For the Year Ended March 31, 2014

Professional fees	
Legal	\$ 28,772
Audit	9,100
Engineering	33,321
Financial advisor	1,350
	<u>72,543</u>
 Contracted services	
Bookkeeping	<u>9,366</u>
 Repairs and maintenance	<u>36,128</u>
 Administrative	
Printing and office supplies	
Insurance	2,525
Other	1,918
	<u>4,443</u>
 Total expenditures	<u><u>\$ 122,480</u></u>

See accompanying auditors' report.

Flamingo Isles Municipal Utility District of Galveston County
TSI-3. Investments
March 31, 2014

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Interest Receivable</u>
General					
Certificate of deposit	530920	0.399897%	7/11/2014	\$ 10,000	\$ 15
Certificate of deposit	530922	0.399897%	8/10/2014	10,000	8
Certificate of deposit	1008657767	0.350%	6/18/2014	20,000	55
Certificate of deposit	6711186075	0.350%	5/15/2014	20,000	60
Certificate of deposit	1008657742	0.20%	12/15/2014	25,000	2
Certificate of deposit	6706718360	0.30%	11/7/2014	25,000	10
Certificate of deposit	9009010344	0.30%	9/26/2014	20,000	10
Certificate of deposit	9009010383	0.350%	1/20/2015	25,000	2
Certificate of deposit	199737	0.360%	5/12/2014	10,000	23
Certificate of deposit	235937	0.320%	10/24/2014	20,000	11
Certificate of deposit	310245508	0.30%	4/23/2014	50,000	142
				<u>235,000</u>	<u>338</u>
Debt Service					
Certificate of deposit	9009010281	0.450%	6/6/2014	165,000	606
Certificate of deposit	1111766169	0.20%	8/20/2014	140,000	171
Certificate of deposit	30006191	0.40%	1/28/2015	165,000	112
				<u>470,000</u>	<u>889</u>
Total - All Funds				<u>\$ 705,000</u>	<u>\$ 1,227</u>

See accompanying auditors' report.

Flamingo Isles Municipal Utility District of Galveston County
TSI-4. Taxes Levied and Receivable
March 31, 2014

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 5,298	\$ 10,159	\$ 15,457	
2013 Original Tax Levy	138,901	249,691	388,592	
Adjustments	2,778	4,994	7,772	
Adjusted Tax Levy	141,679	254,685	396,364	
Total to be accounted for	146,977	264,844	411,821	
Tax collections:				
Current year	136,667	245,675	382,342	
Prior years	4,361	8,475	12,836	
Total Collections	141,028	254,150	395,178	
Taxes Receivable, End of Year	\$ 5,949	\$ 10,694	\$ 16,643	
Taxes Receivable, By Years				
2013	\$ 5,012	\$ 9,010	\$ 14,022	
2012	937	1,684	2,621	
Taxes Receivable, End of Year	\$ 5,949	\$ 10,694	\$ 16,643	
	2013	2012	2011	2010
Property Valuations				
Land	\$ 38,896,350	\$ 38,527,200	\$ 34,638,300	\$ 42,351,240
Improvements	28,579,412	27,898,080	28,736,520	30,010,430
Personal Property	162,106	87,315	83,006	50,656
Exemptions	(171,668)	(171,868)	(174,535)	(174,449)
Total Property Valuations	\$ 67,466,200	\$ 66,340,727	\$ 63,283,291	\$ 72,237,877
Tax Rates per \$100 Valuation				
Maintenance tax rates	\$ 0.2100	\$ 0.2100	\$ 0.1875	\$ 0.1875
Debt service tax rates	0.3775	0.3775	0.4000	0.4000
	\$ 0.5875	\$ 0.5875	\$ 0.5875	\$ 0.5875
Adjusted Tax Levy:	\$ 396,364	\$ 389,752	\$ 371,789	\$ 424,398
Percentage of Taxes Collected to Taxes Levied **	96.46%	99.33%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$2.00 on November 2, 2004

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

See accompanying auditors' report.

Flamingo Isles Municipal Utility District of Galveston County
TSI-5. Long-Term Debt Service Requirements
Series 2007--by Years
March 31, 2014

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1,</u>	<u>Total</u>
2015	\$ 110,000	\$ 220,605	\$ 330,605
2016	120,000	214,830	334,830
2017	125,000	208,590	333,590
2018	130,000	202,090	332,090
2019	140,000	195,330	335,330
2020	150,000	188,050	338,050
2021	155,000	180,250	335,250
2022	165,000	172,190	337,190
2023	175,000	163,610	338,610
2024	185,000	154,510	339,510
2025	195,000	144,890	339,890
2026	205,000	134,750	339,750
2027	215,000	123,475	338,475
2028	230,000	111,650	341,650
2029	240,000	99,000	339,000
2030	255,000	85,800	340,800
2031	265,000	71,775	336,775
2032	260,000	57,200	317,200
2033	260,000	42,900	302,900
2034	260,000	28,600	288,600
2035	260,000	14,300	274,300
	<u>\$ 4,100,000</u>	<u>\$ 2,814,395</u>	<u>\$ 6,914,395</u>

See accompanying auditors' report.

Flamingo Isles Municipal Utility District of Galveston County
TSI-6. Change in Long-Term Bonded Debt
March 31, 2014

	<u>Bond Issue</u> <u>Series 2007</u>
Interest rate	5.2 % - 5.5%
Dates interest payable	9/1 & 3/1
Maturity dates	3/1/11 to 3/1/35
Beginning bonds outstanding	\$ 4,205,000
Bonds retired	<u>(105,000)</u>
Ending bonds outstanding	<u>\$ 4,100,000</u>
Interest paid during fiscal year	<u>\$ 226,118</u>

Paying agent's name and city
 Series 2007 Wells Fargo Bank, N.A. Houston, Texas

Bond Authority:	Water, Sewer and Drainage Bonds
Amount Authorized by Voters	<u>\$ 56,560,000</u>
Amount Issued	<u>(4,490,000)</u>
Remaining To Be Issued	<u>\$ 52,070,000</u>

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investments balances as of March 31, 2014: \$ 642,717

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 329,257

See accompanying auditors' report.

Flamingo Isles Municipal Utility District of Galveston County
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2014	2013	2012	2011	2010
Revenues					
Property taxes	\$ 141,028	\$ 142,409	\$ 147,167	\$ 123,660	\$ 102,050
Intergovernmental revenue					72,317
Miscellaneous	4,950		85		
Investment earnings	747	582	219	598	838
Total Revenues	146,725	142,991	147,471	124,258	175,205
Expenditures					
Operating and administrative					
Professional fees	72,543	50,305	62,850	93,652	44,176
Contracted services	9,366	13,042	8,740	8,488	7,651
Repairs and maintenance	36,128			63,900	37,693
Administrative	4,443	11,223	3,619	5,880	11,889
Other			3,163	6,654	4,855
Capital outlay		42,901	211,535		
Total Expenditures	122,480	117,471	289,907	178,574	106,264
Revenues Over (Under) Expenditures	\$ 24,245	\$ 25,520	\$ (142,436)	\$ (54,316)	\$ 68,941

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2014	2013	2012	2011	2010
96%	100%	100%	100%	59%
				41%
3%		*		
1%	*	*	*	*
100%	100%	100%	100%	100%
49%	35%	43%	75%	25%
6%	9%	6%	7%	4%
25%			51%	22%
3%	8%	2%	5%	7%
		2%	5%	3%
	30%	143%		
83%	82%	196%	143%	61%
17%	18%	(96%)	(43%)	39%

Flamingo Isles Municipal Utility District of Galveston County
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2014	2013	2012	2011	2010
Revenues					
Property taxes	\$ 254,150	\$ 258,985	\$ 310,147	\$ 304,109	\$ 277,873
Penalties and interest	4,819	15,066	39,403	11,358	9,985
Investment earnings	1,211	6,018	2,721	4,428	5,425
Total Revenues	260,180	280,069	352,271	319,895	293,283
Expenditures					
Tax collection services	11,840	13,383	31,868	11,348	12,512
Debt service					
Principal	105,000	100,000	95,000	90,000	
Interest and fees	226,668	231,918	236,905	241,630	241,630
Total Expenditures	343,508	345,301	363,773	342,978	254,142
Revenues Over (Under) Expenditures	\$ (83,328)	\$ (65,232)	\$ (11,502)	\$ (23,083)	\$ 39,141
Total Active Retail Water Connections	N/A	N/A	N/A	N/A	N/A
Total Active Retail Wastewater Connections	N/A	N/A	N/A	N/A	N/A

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2014	2013	2012	2011	2010
98%	93%	88%	95%	95%
2%	5%	12%	4%	3%
*	2%	*	1%	2%
<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
5%	5%	9%	4%	4%
40%	36%	27%	28%	
87%	83%	67%	76%	82%
<u>132%</u>	<u>124%</u>	<u>103%</u>	<u>108%</u>	<u>86%</u>
<u>(32%)</u>	<u>(24%)</u>	<u>(3%)</u>	<u>(8%)</u>	<u>14%</u>

Flamingo Isles Municipal Utility District of Galveston County
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended March 31, 2014

Complete District Mailing Address: 1301 McKinney Street, Suite 5100, Houston, Texas 77010-3093
District Business Telephone Number: (713) 651-3601
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): November 15, 2012
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.0600)

<u>Names:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid *</u>	<u>Expense Reimburse- ments</u>	<u>Title at Year End</u>
Board Members				
Arnold J. Cross	09/10 - 11/14	\$ -	\$ -	President
Ronald Holley	11/12 - 11/16			Vice President
Richard Couch	09/10 - 11/14			Secretary
Michael Andries	09/10 - 11/14			Treasurer
Jane O. McKenzie	11/12 - 11/16			Assistant Secretary
Consultants				
		<u>Amounts Paid</u>		
Fulbright & Jaworski, LLP	03/03	\$ 28,772		Attorney
Municipal Accounts & Consulting Inc.	08/11	9,366		Bookkeeper
Assessments of the Southwest, Inc.	02/03	5,643		Tax Collector
Galveston Central Appraisal District	Legislation	3,623		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	04/05	1,403		Delinquent Tax Attorney
Shelmark Engineering, LLC	08/08	28,762		Engineer
McGrath & Co., PLLC	Annual	9,100		Auditor
The GMS Group, Inc.	03/03	1,350		Financial Advisor

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