

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

**GALVESTON COUNTY, TEXAS**

**FINANCIAL REPORT**

**March 31, 2016**



## Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditors' Report		1
Management's Discussion and Analysis		5
<b>BASIC FINANCIAL STATEMENTS</b>		
Statement of Net Position and Governmental Funds Balance Sheet		12
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		13
Notes to Basic Financial Statements		15
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Budgetary Comparison Schedule – General Fund		28
Notes to Required Supplementary Information		29
<b>TEXAS SUPPLEMENTARY INFORMATION</b>		
Services and Rates	TSI-1	32
General Fund Expenditures	TSI-2	34
Investments	TSI-3	35
Taxes Levied and Receivable	TSI-4	36
Long-Term Debt Service Requirements by Years	TSI-5	37
Change in Long-Term Bonded Debt	TSI-6	38
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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## 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, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

***Board of Directors  
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, 2016, 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.

*McGuire & Co, P.C.*

Houston, Texas  
July 22, 2016

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

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***Flamingo Isles Municipal Utility District of Galveston County  
Management's Discussion and Analysis  
March 31, 2016***

**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, 2016. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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

***Flamingo Isles Municipal Utility District of Galveston County  
Management's Discussion and Analysis  
March 31, 2016***

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 March 31, 2016, was negative \$7,925,610. 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. A comparative summary of the District's overall financial position, as of March 31, 2016 and 2015, is as follows:

	2016	2015
Current and other assets	\$ 859,214	\$ 991,111
Capital assets	14,812,902	15,246,170
Total assets	<u>15,672,116</u>	<u>16,237,281</u>
 Total deferred outflows of resources	 <u>91,628</u>	 <u></u>
 Current liabilities	 203,740	 171,085
Long-term liabilities	23,485,614	23,408,195
Total liabilities	<u>23,689,354</u>	<u>23,579,280</u>
 Net position		
Net investment in capital assets	(5,479,060)	(5,019,271)
Restricted	579,651	598,040
Unrestricted	(3,026,201)	(2,920,768)
Total net position	<u>\$ (7,925,610)</u>	<u>\$ (7,341,999)</u>

***Flamingo Isles Municipal Utility District of Galveston County  
Management's Discussion and Analysis  
March 31, 2016***

The total net position of the District decreased by \$583,611. A comparative summary of the District's *Statement of Activities* for the past two years is as follows.

	<u>2016</u>	<u>2015</u>
Revenues		
Property taxes, penalties and interest	\$ 524,534	\$ 475,191
Other	3,157	2,953
Total revenues	<u>527,691</u>	<u>478,144</u>
Expenses		
Operating and administrative	318,544	155,710
Interest and fees	187,981	226,144
Depreciation	433,268	433,268
Total expenses	<u>1,111,302</u>	<u>815,122</u>
Change in net position	(583,611)	(336,978)
Net position, beginning of year	<u>(7,341,999)</u>	<u>(7,005,021)</u>
Net position, end of year	<u><u>\$ (7,925,610)</u></u>	<u><u>\$ (7,341,999)</u></u>

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

The District's combined fund balances, as of March 31, 2016, were \$738,886, which consists of \$207,239 in the General Fund and \$531,647 in the Debt Service Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of March 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Total assets	<u>\$ 265,073</u>	<u>\$ 372,784</u>
Total liabilities	\$ 24,250	\$ 30,798
Total deferred inflows	33,584	1,156
Total fund balance	<u>207,239</u>	<u>340,830</u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 265,073</u></u>	<u><u>\$ 372,784</u></u>

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

	<u>2016</u>	<u>2015</u>
Total revenues	\$ 172,599	\$ 177,687
Total expenditures	(306,190)	(144,252)
Revenues over/(under) expenditures	<u><u>\$ (133,591)</u></u>	<u><u>\$ 33,435</u></u>

***Flamingo Isles Municipal Utility District of Galveston County  
Management's Discussion and Analysis  
March 31, 2016***

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues and that an adequate fund balance is maintained. During the current year, the District's expenditures exceeded revenues due to budgeted repairs and maintenance on the District's facilities. The District has sufficient fund balance to absorb the deficit.

*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of March 31, 2016 and 2015 is as follows:

	2016	2015
Total assets	<u>\$ 594,141</u>	<u>\$ 618,327</u>
Total liabilities	\$ 3,203	\$ 1,444
Total deferred inflows	59,291	10,147
Total fund balance	<u>531,647</u>	<u>606,736</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 594,141</u>	<u>\$ 618,327</u>

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	2016	2015
Total revenues	\$ 273,521	\$ 307,969
Total expenditures	<u>(556,050)</u>	<u>(342,613)</u>
Revenues under expenditures	(282,529)	(34,644)
Other changes in fund balance	207,440	
Net change in fund balance	<u>\$ (75,089)</u>	<u>\$ (34,644)</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 will result in changes 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.

During the current year, the District issued \$4,220,000 in refunding bonds to refund \$3,990,000 of its outstanding Series 2007 bonds. This refunding will save the District \$613,665 in 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 \$51,707 less than budgeted. The *Budgetary*

***Flamingo Isles Municipal Utility District of Galveston County  
Management's Discussion and Analysis  
March 31, 2016***

*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, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Capital assets being depreciated		
Infrastructure	\$ 19,497,080	\$ 19,497,080
Less accumulated depreciation	<u>(4,684,178)</u>	<u>(4,250,910)</u>
Capital assets, net	<u><u>\$ 14,812,902</u></u>	<u><u>\$ 15,246,170</u></u>

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction. As of March 31, 2016, the District owes the developers \$19,634,646 for completed projects.

**Long-Term Debt**

At March 31, 2016 and 2015, the District had total bonded debt outstanding as shown below:

<u>Series</u>	<u>2016</u>	<u>2015</u>
2007	\$ -	\$ 3,990,000
2015 Refunding	4,045,000	
	<u><u>\$ 4,045,000</u></u>	<u><u>\$ 3,990,000</u></u>

During the year, the District issued \$4,220,000 in unlimited tax refunding bonds. At March 31, 2016, the District had \$52,070,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water and sanitary sewer systems, reclamation and drainage of land, and providing for navigation of canals within the District and \$56,330,000 for refunding purposes.

*Flamingo Isles Municipal Utility District of Galveston County  
Management's Discussion and Analysis  
March 31, 2016*

**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>2016 Actual</u>	<u>2017 Budget</u>
Total revenues	\$ 172,599	\$ 207,564
Total expenditures	<u>(306,190)</u>	<u>(207,564)</u>
Revenues under expenditures	(133,591)	
Beginning fund balance	340,830	207,239
Ending fund balance	<u><u>\$ 207,239</u></u>	<u><u>\$ 207,239</u></u>

## **Basic Financial Statements**

*Flamingo Isles Municipal Utility District of Galveston County*  
*Statement of Net Position and Governmental Funds Balance Sheet*  
*March 31, 2016*

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>					
Cash	\$ 168,322	\$ 206,494	\$ 374,816	\$ -	\$ 374,816
Investments	60,000	320,000	380,000		380,000
Taxes receivable	37,964	65,958	103,922		103,922
Accrued interest receivable	234	242	476		476
Internal balances	(1,447)	1,447			
Capital assets, net				14,812,902	14,812,902
Total Assets	<u>\$ 265,073</u>	<u>\$ 594,141</u>	<u>\$ 859,214</u>	<u>14,812,902</u>	<u>15,672,116</u>
<b>Deferred Outflows of Resources</b>					
Deferred difference on refunding				91,628	91,628
<b>Liabilities</b>					
Accounts payable	\$ 23,048	\$ -	\$ 23,048		23,048
Other payables	1,202	3,203	4,405		4,405
Accrued interest payable				11,287	11,287
Due to developers				19,634,646	19,634,646
Long-term debt					
Due within one year				165,000	165,000
Due after one year				3,850,968	3,850,968
Total Liabilities	<u>24,250</u>	<u>3,203</u>	<u>27,453</u>	<u>23,661,901</u>	<u>23,689,354</u>
<b>Deferred Inflows of Resources</b>					
Deferred property taxes	33,584	59,291	92,875	(92,875)	
<b>Fund Balances/Net Position</b>					
<b>Fund Balances</b>					
Restricted		531,647	531,647	(531,647)	
Unassigned	207,239		207,239	(207,239)	
Total Fund Balances	<u>207,239</u>	<u>531,647</u>	<u>738,886</u>	<u>(738,886)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 265,073</u>	<u>\$ 594,141</u>	<u>\$ 859,214</u>		
<b>Net Position</b>					
Net investment in capital assets				(5,479,060)	(5,479,060)
Restricted for debt service				579,651	579,651
Unrestricted				(3,026,201)	(3,026,201)
Total Net Position				<u>\$ (7,925,610)</u>	<u>\$ (7,925,610)</u>

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, 2016*

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>					
Property taxes	\$ 171,897	\$ 261,743	\$ 433,640	\$ 81,571	\$ 515,211
Penalties and interest		9,323	9,323		9,323
Miscellaneous	24		24		24
Investment earnings	678	2,455	3,133		3,133
<b>Total Revenues</b>	<b>172,599</b>	<b>273,521</b>	<b>446,120</b>	<b>81,571</b>	<b>527,691</b>
<b>Expenditures/Expenses</b>					
Operating and administrative					
Professional fees	89,145		89,145		89,145
Contracted services	12,803	10,385	23,188		23,188
Repairs and maintenance	177,979		177,979		177,979
Administrative	26,263	1,969	28,232		28,232
Debt service					
Principal		175,000	175,000	(175,000)	
Interest and fees		189,187	189,187	(1,206)	187,981
Debt issuance costs		171,509	171,509		171,509
Early extinguishment of debt		8,000	8,000	(8,000)	
Depreciation				433,268	433,268
<b>Total Expenditures/Expenses</b>	<b>306,190</b>	<b>556,050</b>	<b>862,240</b>	<b>249,062</b>	<b>1,111,302</b>
<b>Revenues Under Expenditures</b>	<b>(133,591)</b>	<b>(282,529)</b>	<b>(416,120)</b>	<b>416,120</b>	
<b>Other Financing Sources/(Uses)</b>					
Proceeds from sale of refunding bonds		4,220,000	4,220,000	(4,220,000)	
Bond discount		(30,560)	(30,560)	30,560	
Debt service - principal		(3,982,000)	(3,982,000)	3,982,000	
<b>Net Change in Fund Balances</b>	<b>(133,591)</b>	<b>(75,089)</b>	<b>(208,680)</b>	<b>208,680</b>	
<b>Change in Net Position</b>				<b>(583,611)</b>	<b>(583,611)</b>
Fund Balance/Net Position					
Beginning of the year	340,830	606,736	947,566	(8,289,565)	(7,341,999)
<b>End of the year</b>	<b>\$ 207,239</b>	<b>\$ 531,647</b>	<b>\$ 738,886</b>	<b>\$ (8,664,496)</b>	<b>\$ (7,925,610)</b>

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, 2016*

**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, 2016, 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 do not provide financial resources at the fund level, and, therefore, are reported in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at 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.

Depreciable capital assets, which primarily consist of bulkheads, are depreciated using the straight-line method over 45 years.

**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 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.

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

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

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in 2015 in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

**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 balance consists of property taxes levied for debt service in the Debt Service Fund.

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.

*Flamingo Isles Municipal Utility District of Galveston County*  
*Notes to Basic Financial Statements*  
*March 31, 2016*

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

**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 useful lives and impairment of capital assets; the value of amounts due to developers; and the value of capital assets for which the developers have 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, 2016*

**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		\$ 738,886
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
Historical cost	\$ 19,497,080	
Less accumulated depreciation	<u>(4,684,178)</u>	
Change due to capital assets		14,812,902
<p>The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the <i>Statement of Net Position</i> and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.</p>		
		91,628
<p>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:</p>		
Bonds payable, net	(4,015,968)	
Interest payable on bonds	<u>(11,287)</u>	
Change due to long-term debt		(4,027,255)
<p>Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i>.</p>		
		(19,634,646)
<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	84,689	
Penalty and interest receivable	<u>8,186</u>	
Change due to property taxes		92,875
Total net position - governmental activities		<u><u>\$ (7,925,610)</u></u>



*Flamingo Isles Municipal Utility District of Galveston County*  
*Notes to Basic Financial Statements*  
*March 31, 2016*

**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		\$ (208,680)
--	--	--------------

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.		81,571
---	--	--------

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.

Issuance of long term debt	\$ (4,220,000)		
Bond discount	30,560		
Principal payments	4,165,000		
Interest expense accrual	<u>1,206</u>		
			(23,234)

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>\$ (583,611)</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, 2016*

**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, 2016, the District's investments consist of the following:

Type	Fund	Carrying Value
Certificates of deposit	General	\$ 60,000
	Debt Service	320,000
Total		\$ 380,000

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, 2016, consist of the following:

	Interfund	
	Receivable	Payable
General Fund	\$ 3,051	\$ 4,497
Debt Service Fund	4,497	3,051
	\$ 7,548	\$ 7,548

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, 2016*

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended March 31, 2016, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets being depreciated			
Infrastructure	\$ 19,497,080	\$ -	\$ 19,497,080
Less accumulated depreciation	(4,250,910)	(433,268)	(4,684,178)
Capital assets, net	<u>\$ 15,246,170</u>	<u>\$ (433,268)</u>	<u>\$ 14,812,902</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, 2016 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	\$ 4,045,000
Unamortized discounts	(29,032)
	<u>\$ 4,015,968</u>
Due within one year	<u>\$ 165,000</u>

The District's bonds payable at March 31, 2016, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Date
2015 Refunding	\$ 4,045,000	\$ 4,220,000	2.0% to 4.1%	March 1, 2016/2035	September 1, March 1	March 1, 2022

*Flamingo Isles Municipal Utility District of Galveston County*  
*Notes to Basic Financial Statements*  
*March 31, 2016*

**Note 7 – Long-Term Debt (continued)**

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.

At March 31, 2016, 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 and \$56,330,000 for refunding purposes.

On October 22, 2016, the District issued its \$4,220,000 Series 2015 Unlimited Tax Refunding Bonds at a net effective interest rate of 3.721373% to refund \$3,990,000 of outstanding Series 2007 bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately \$613,665 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$411,262.

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

Bonds payable, beginning of year	\$	3,990,000
Bonds issued		4,220,000
Bonds retired		(175,000)
Bonds refunded		<u>(3,990,000)</u>
Bonds payable, end of year	\$	<u><u>4,045,000</u></u>

*Flamingo Isles Municipal Utility District of Galveston County*  
*Notes to Basic Financial Statements*  
*March 31, 2016*

**Note 7 – Long-Term Debt (continued)**

As of March 31, 2016, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2017	\$ 165,000	\$ 135,443	\$ 300,443
2018	170,000	132,143	302,143
2019	175,000	128,573	303,573
2020	180,000	124,548	304,548
2021	185,000	120,048	305,048
2022	190,000	114,960	304,960
2023	195,000	109,260	304,260
2024	205,000	103,410	308,410
2025	210,000	97,055	307,055
2026	215,000	90,335	305,335
2027	225,000	83,240	308,240
2028	235,000	75,590	310,590
2029	240,000	67,365	307,365
2030	250,000	58,665	308,665
2031	255,000	48,665	303,665
2032	245,000	38,465	283,465
2033	240,000	28,665	268,665
2034	235,000	19,065	254,065
2035	230,000	9,430	239,430
	<u>\$ 4,045,000</u>	<u>\$ 1,584,923</u>	<u>\$ 5,629,923</u>

**Note 8 – 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.

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 2016 fiscal year was financed through the 2015 tax levy, pursuant to which the District levied property taxes of \$0.58 per \$100 of assessed value, of which \$0.23 was allocated to maintenance and operations and \$0.35 was allocated to debt service. The resulting tax levy was \$515,832 on the adjusted taxable value of \$88,936,618.

*Flamingo Isles Municipal Utility District of Galveston County*  
*Notes to Basic Financial Statements*  
*March 31, 2016*

**Note 8 – Property Taxes (continued)**

Property taxes receivable, at March 31, 2016, consisted of the following:

Current year taxes receivable	\$ 95,722
Prior years taxes receivable	14
	<hr/>
	95,736
Penalty and interest receivable	8,186
Property taxes receivable	<hr/>
	<u>\$ 103,922</u>

**Note 9 – 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.

**Note 10 – Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and 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**

*Flamingo Isles Municipal Utility District of Galveston County  
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund  
 For the Year Ended March 31, 2016*

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Property taxes	\$ 165,926	\$ 171,897	\$ 5,971
Miscellaneous	1,510	24	(1,486)
Investment earnings	1,600	678	(922)
Total Revenues	<u>169,036</u>	<u>172,599</u>	<u>3,563</u>
<b>Expenditures</b>			
Operating and administrative			
Professional fees	65,500	89,145	(23,645)
Contracted services	9,000	12,803	(3,803)
Repairs and maintenance	146,500	177,979	(31,479)
Administrative	29,920	26,263	3,657
Total Expenditures	<u>250,920</u>	<u>306,190</u>	<u>(55,270)</u>
<b>Revenues Under Expenditures</b>	(81,884)	(133,591)	(51,707)
<b>Fund Balance</b>			
Beginning of the year	340,830	340,830	
End of the year	<u>\$ 258,946</u>	<u>\$ 207,239</u>	<u>\$ (51,707)</u>



*Flamingo Isles Municipal Utility District of Galveston County*  
*Notes to Required Supplementary Information*  
*March 31, 2016*

**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**

**Flamingo Isles Municipal Utility District of Galveston County**  
**TSI-1. Services and Rates**  
**March 31, 2016**

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 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, 2016**

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, 2016*

Professional fees	
Legal	\$ 48,978
Audit	9,100
Engineering	29,867
Financial advisor	1,200
	<u>89,145</u>
Contracted services	
Bookkeeping	<u>12,803</u>
Repairs and maintenance	<u>177,979</u>
Administrative	
Printing and office supplies	93.87
Insurance	3,698
Other	22,471
	<u>26,263</u>
Total expenditures	<u><u>\$ 306,190</u></u>

See accompanying auditors' report.

*Flamingo Isles Municipal Utility District of Galveston County*  
*TSI-3. Investments*  
*March 31, 2016*

<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	9009003959	0.45%	5/26/16	\$ 25,000	\$ 85
Certificate of deposit	315630	0.38%	4/6/16	10,000	37
Certificate of deposit	220006198	0.60%	7/1/16	25,000	112
				<u>60,000</u>	<u>234</u>
Debt Service					
Certificate of deposit	9009004010	0.40%	8/1/2016	25,000	16
Certificate of deposit	358333	0.75%	2/21/2017	220,000	181
Certificate of deposit	220006788	0.45%	8/9/2016	75,000	45
				<u>320,000</u>	<u>242</u>
Total - All Funds				<u>\$ 380,000</u>	<u>\$ 476</u>

See accompanying auditors' report.

*Flamingo Isles Municipal Utility District of Galveston County*  
**TSI-4. Taxes Levied and Receivable**  
**March 31, 2016**

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 33,650	\$ 57,098	\$ 90,748	
Adjustments	(231)	(394)	(625)	
Adjusted Receivable	33,419	56,704	90,123	
2015 Original Tax Levy	204,641	311,411	516,052	
Adjustments	(87)	(133)	(220)	
Adjusted Tax Levy	204,554	311,278	515,832	
Rendition Penalties	2	3	5	
Total to be accounted for	237,975	367,985	605,960	
Tax collections:				
Current year	166,598	253,518	420,116	
Prior years	33,413	56,695	90,108	
Total Collections	200,011	310,213	510,224	
Taxes Receivable, End of Year	\$ 37,964	\$ 57,772	\$ 95,736	
Taxes Receivable, By Years				
2015	\$ 37,959	\$ 57,763	\$ 95,722	
2014	5	9	14	
Taxes Receivable, End of Year	\$ 37,964	\$ 57,772	\$ 95,736	
	2015	2014	2013	2012
Property Valuations				
Land	\$ 45,045,970	\$ 43,695,010	\$ 38,896,350	\$ 38,527,200
Improvements	45,549,131	34,160,270	28,579,412	27,898,080
Personal Property	237,018	212,151	162,106	87,315
Exemptions	(1,895,501)	(990,948)	(171,668)	(171,868)
Total Property Valuations	\$ 88,936,618	\$ 77,076,483	\$ 67,466,200	\$ 66,340,727
Tax Rates per \$100 Valuation				
Maintenance tax rates	\$ 0.2300	\$ 0.2225	\$ 0.2100	\$ 0.2100
Debt service tax rates	0.3500	0.3775	0.3775	0.3775
	\$ 0.5800	\$ 0.6000	\$ 0.5875	\$ 0.5875
Adjusted Tax Levy:	\$ 515,832	\$ 462,459	\$ 396,364	\$ 389,752
Percentage of Taxes Collected to Taxes Levied **	81.44%	99.99%	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 2015 Refunding--by Years*  
*March 31, 2016*

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2017	\$ 165,000	\$ 135,443	\$ 300,443
2018	170,000	132,143	302,143
2019	175,000	128,573	303,573
2020	180,000	124,548	304,548
2021	185,000	120,048	305,048
2022	190,000	114,960	304,960
2023	195,000	109,260	304,260
2024	205,000	103,410	308,410
2025	210,000	97,055	307,055
2026	215,000	90,335	305,335
2027	225,000	83,240	308,240
2028	235,000	75,590	310,590
2029	240,000	67,365	307,365
2030	250,000	58,665	308,665
2031	255,000	48,665	303,665
2032	245,000	38,465	283,465
2033	240,000	28,665	268,665
2034	235,000	19,065	254,065
2035	230,000	9,430	239,430
	<u>\$ 4,045,000</u>	<u>\$ 1,584,923</u>	<u>\$ 5,629,923</u>

See accompanying auditors' report.

*Flamingo Isles Municipal Utility District of Galveston County*  
*TSI-6. Change in Long-Term Bonded Debt*  
*March 31, 2016*

	Bond Issue		Total
	Series 2007	Series 2015 Refunding	
Interest rate	5.2 % - 5.5%	2.0% - 4.1%	
Dates interest payable	9/1; 3/1	9/1; 3/1	
Maturity dates	3/1/11 - 3/1/35	3/1/16 - 3/1/35	
Beginning bonds outstanding	\$ 3,990,000	\$ -	\$ 3,990,000
Bonds issued		4,220,000	4,220,000
Bonds retired		(175,000)	(175,000)
Bonds refunded	(3,990,000)		(3,990,000)
Ending bonds outstanding	<u>\$ -</u>	<u>\$ 4,045,000</u>	<u>\$ 4,045,000</u>
Interest paid during fiscal year	<u>\$ 137,849</u>	<u>\$ 49,788</u>	<u>\$ 187,637</u>

Paying agent's name and city	
Series 2007	Wells Fargo Bank, N.A. Houston, Texas
Series 2015 Refunding	Amegy Bank National Association, Houston, Texas

Bond Authority:	Water, Sewer and	
	Drainage Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 56,560,000	\$ 56,560,000
Amount Issued	(4,490,000)	(230,000)
Remaining To Be Issued	<u>\$ 52,070,000</u>	<u>\$ 56,330,000</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, 2016: \$ 526,494

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 296,312

See accompanying auditors' report.

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*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				
	2016	2015	2014	2013	2012
<b>Revenues</b>					
Property taxes	\$ 171,897	\$ 176,543	\$ 141,028	\$ 142,409	\$ 147,167
Miscellaneous	24	306	4,950		85
Investment earnings	678	838	747	582	219
Total Revenues	<u>172,599</u>	<u>177,687</u>	<u>146,725</u>	<u>142,991</u>	<u>147,471</u>
<b>Expenditures</b>					
Operating and administrative					
Professional fees	89,145	89,589	72,543	50,305	62,850
Contracted services	12,803	8,833	9,366	13,042	8,740
Repairs and maintenance	177,979	38,611	36,128		
Administrative	26,263	7,219	4,443	11,223	3,619
Other					3,163
Capital outlay				42,901	211,535
Total Expenditures	<u>306,190</u>	<u>144,252</u>	<u>122,480</u>	<u>117,471</u>	<u>289,907</u>
<b>Revenues Over (Under) Expenditures</b>	<u>\$ (133,591)</u>	<u>\$ 33,435</u>	<u>\$ 24,245</u>	<u>\$ 25,520</u>	<u>\$ (142,436)</u>

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2016	2015	2014	2013	2012
100%	100%	96%	100%	100%
*	*	3%		*
*	*	1%	*	*
100%	100%	100%	100%	100%
52%	50%	49%	35%	43%
7%	5%	6%	9%	6%
103%	22%	25%		
15%	4%	3%	8%	2%
				2%
			30%	143%
177%	81%	83%	82%	196%
(77%)	19%	17%	18%	(96%)

*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				
	2016	2015	2014	2013	2012
<b>Revenues</b>					
Property taxes	\$ 261,743	\$ 300,129	\$ 254,150	\$ 258,985	\$ 310,147
Penalties and interest	9,323	6,031	4,819	15,066	39,403
Investment earnings	2,455	1,809	1,211	6,018	2,721
Total Revenues	273,521	307,969	260,180	280,069	352,271
<b>Expenditures</b>					
Tax collection services	12,354	11,458	11,840	13,383	31,868
Debt service					
Principal	175,000	110,000	105,000	100,000	95,000
Interest and fees	189,187	221,155	226,668	231,918	236,905
Debt issuance costs	171,509				
Early extinguishment of debt	8,000				
Total Expenditures	556,050	342,613	343,508	345,301	363,773
<b>Revenues Under Expenditures</b>	<b>\$ (282,529)</b>	<b>\$ (34,644)</b>	<b>\$ (83,328)</b>	<b>\$ (65,232)</b>	<b>\$ (11,502)</b>
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

2016	2015	2014	2013	2012
96%	97%	98%	93%	88%
3%	2%	2%	5%	12%
1%	1%	*	2%	*
100%	100%	100%	100%	100%
5%	4%	5%	5%	9%
64%	36%	40%	36%	27%
69%	72%	87%	83%	67%
63%				
3%				
204%	112%	132%	124%	103%
(104%)	(12%)	(32%)	(24%)	(3%)

**Flamingo Isles Municipal Utility District of Galveston County**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended March 31, 2016**

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): May 27, 2014  
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>				
Jane O. McKenzie	11/14 - 11/16	\$ -	\$ -	President
Ronald Ray Holley	11/12 - 11/16			Vice President
Arnold J. Cross, Jr.	11/14 - 11/18			Secretary
Henry M. Delaup	11/14 - 11/18			Assistant Secretary
Michael L. Andries	11/12 - 11/18			Treasurer
<b>Consultants</b>				
		Amounts Paid		
Norton Rose Fulbright US LLP	03/03	\$ 91,559		Attorney
Municipal Accounts & Consulting Inc.	08/11	13,980		Bookkeeper
Assessments of the Southwest, Inc.	02/03	5,768		Tax Collector
Galveston Central Appraisal District	Legislation	3,458		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	04/05	1,159		Delinquent Tax Attorney
Shelmark Engineering, LLC	08/08	29,867		Engineer
McGrath & Co., PLLC	Annual	9,100		Auditor
The GMS Group, Inc.	03/03	44,685		Financial Advisor

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