

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

GALVESTON COUNTY, TEXAS

FINANCIAL REPORT

March 31, 2017

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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, 2017, 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, 2017, 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, PC

Houston, Texas
August 4, 2017

Management's Discussion and Analysis

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*Flamingo Isles Municipal Utility District of Galveston County
Management's Discussion and Analysis
March 31, 2017*

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, 2017. 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, 2017***

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, 2017, was negative \$8,084,695. 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, 2017 and 2016, is as follows:

	2017	2016
Current and other assets	\$ 966,411	\$ 859,214
Capital assets	14,379,634	14,812,902
Total assets	<u>15,346,045</u>	<u>15,672,116</u>
 Total deferred outflows of resources	 86,805	 91,628
 Current liabilities	 200,403	 203,740
Long-term liabilities	23,317,142	23,485,614
Total liabilities	<u>23,517,545</u>	<u>23,689,354</u>
 Net position		
Net investment in capital assets	(5,775,680)	(5,479,060)
Restricted	600,787	579,651
Unrestricted	(2,909,802)	(3,026,201)
Total net position	<u>\$ (8,084,695)</u>	<u>\$ (7,925,610)</u>

***Flamingo Isles Municipal Utility District of Galveston County
Management's Discussion and Analysis
March 31, 2017***

The total net position of the District decreased during the current fiscal year by \$159,085. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2017</u>	<u>2016</u>
Revenues		
Property taxes, penalties and interest	\$ 571,497	\$ 524,534
Other	4,010	3,157
Total revenues	<u>575,507</u>	<u>527,691</u>
Expenses		
Operating and administrative	159,030	318,544
Interest and fees	142,294	187,981
Debt issuance costs		171,509
Depreciation	433,268	433,268
Total expenses	<u>734,592</u>	<u>1,111,302</u>
Change in net position	(159,085)	(583,611)
Net position, beginning of year	(7,925,610)	(7,341,999)
Net position, end of year	<u>\$ (8,084,695)</u>	<u>\$ (7,925,610)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of March 31, 2017, were \$857,892, which consists of \$300,215 in the General Fund and \$557,677 in the Debt Service Fund.

General Fund

A comparative summary of the General Fund's financial position as of March 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Total assets	<u>\$ 352,209</u>	<u>\$ 265,073</u>
Total liabilities	\$ 16,988	\$ 24,250
Total deferred inflows	35,006	33,584
Total fund balance	300,215	207,239
Total liabilities, deferred inflows and fund balance	<u>\$ 352,209</u>	<u>\$ 265,073</u>

*Flamingo Isles Municipal Utility District of Galveston County
Management's Discussion and Analysis
March 31, 2017*

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

	2017	2016
Total revenues	\$ 238,849	\$ 172,599
Total expenditures	(145,873)	(306,190)
Revenues over/(under) expenditures	<u>\$ 92,976</u>	<u>\$ (133,591)</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resource in the General Fund are from a property tax levy. Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and assessed values increased from prior year.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of March 31, 2017 and 2016 is as follows:

	2017	2016
Total assets	<u>\$ 614,202</u>	<u>\$ 594,141</u>
Total liabilities	\$ 2,128	\$ 3,203
Total deferred inflows	54,397	59,291
Total fund balance	557,677	531,647
Total liabilities, deferred inflows and fund balance	<u>\$ 614,202</u>	<u>\$ 594,141</u>

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

	2017	2016
Total revenues	\$ 340,130	\$ 273,521
Total expenditures	(314,100)	(556,050)
Revenues over/(under) expenditures	26,030	(282,529)
Other changes in fund balance		207,440
Net change in fund balance	<u>\$ 26,030</u>	<u>\$ (75,089)</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.

***Flamingo Isles Municipal Utility District of Galveston County
Management's Discussion and Analysis
March 31, 2017***

During the prior 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 amended the budget during the year to reflect changes in anticipated expenditures for repairs and maintenance.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$92,976 greater than budgeted. The *Budgetary Comparison Schedule* on page 30 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developer for the financing of the construction of capital assets within the District. The developer 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.

Capital assets held by the District at March 31, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Capital assets being depreciated		
Infrastructure	\$ 19,497,080	\$ 19,497,080
Less accumulated depreciation	<u>(5,117,446)</u>	<u>(4,684,178)</u>
Capital assets, net	<u>\$ 14,379,634</u>	<u>\$ 14,812,902</u>

Long-Term Debt and Related Liabilities

As of March 31, 2017, the District owes the developers \$19,634,646 for completed projects. The District intends to reimburse the developer from proceeds of future bond issues.

At March 31, 2017 and 2016, the District had total bonded debt outstanding as shown below:

<u>Series</u>	<u>2017</u>	<u>2016</u>
2015 Refunding	\$ 3,880,000	\$ 4,045,000

At March 31, 2017, 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 for providing 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, 2017*

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>2017 Actual</u>	<u>2018 Budget</u>
Total revenues	\$ 238,849	\$ 238,242
Total expenditures	(145,873)	(313,700)
Revenues over/(under) expenditures	92,976	(75,458)
Beginning fund balance	207,239	300,215
Ending fund balance	<u>\$ 300,215</u>	<u>\$ 224,757</u>

Basic Financial Statements

Flamingo Isles Municipal Utility District of Galveston County
Statement of Net Position and Governmental Funds Balance Sheet
March 31, 2017

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 74,444	\$ 295,498	\$ 369,942	\$ -	\$ 369,942
Investments	231,051	270,000	501,051		501,051
Taxes receivable	37,130	57,199	94,329		94,329
Accrued interest receivable		1,089	1,089		1,089
Internal balances	9,584	(9,584)			
Capital assets, net				14,379,634	14,379,634
Total Assets	\$ 352,209	\$ 614,202	\$ 966,411	14,379,634	15,346,045
Deferred Outflows of Resources					
Deferred difference on refunding				86,805	86,805
Liabilities					
Accounts payable	\$ 16,088	\$ -	\$ 16,088		16,088
Other payables	900	2,128	3,028		3,028
Accrued interest payable				11,287	11,287
Due to developer				19,634,646	19,634,646
Long-term debt					
Due within one year				170,000	170,000
Due after one year				3,682,496	3,682,496
Total Liabilities	16,988	2,128	19,116	23,498,429	23,517,545
Deferred Inflows of Resources					
Deferred property taxes	35,006	54,397	89,403	(89,403)	
Fund Balances/Net Position					
Fund Balances					
Restricted		557,677	557,677	(557,677)	
Unassigned	300,215		300,215	(300,215)	
Total Fund Balances	300,215	557,677	857,892	(857,892)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 352,209	\$ 614,202	\$ 966,411		
Net Position					
Net investment in capital assets				(5,775,680)	(5,775,680)
Restricted for debt service				600,787	600,787
Unrestricted				(2,909,802)	(2,909,802)
Total Net Position				\$ (8,084,695)	\$ (8,084,695)

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, 2017

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Property taxes	\$ 237,815	\$ 320,710	\$ 558,525	\$ (3,472)	\$ 555,053
Penalties and interest		16,444	16,444		16,444
Miscellaneous	16		16		16
Investment earnings	1,018	2,976	3,994		3,994
Total Revenues	<u>238,849</u>	<u>340,130</u>	<u>578,979</u>	<u>(3,472)</u>	<u>575,507</u>
Expenditures/Expenses					
Operating and administrative					
Professional fees	82,760		82,760		82,760
Contracted services	12,060	11,685	23,745		23,745
Repairs and maintenance	46,596		46,596		46,596
Administrative	4,457	1,472	5,929		5,929
Debt service					
Principal		165,000	165,000	(165,000)	
Interest and fees		135,943	135,943	6,351	142,294
Depreciation				433,268	433,268
Total Expenditures/Expenses	<u>145,873</u>	<u>314,100</u>	<u>459,973</u>	<u>274,619</u>	<u>734,592</u>
Revenues Over Expenditures	92,976	26,030	119,006	(119,006)	
Change in Net Position				(159,085)	(159,085)
Fund Balance/Net Position					
Beginning of the year	207,239	531,647	738,886	(8,664,496)	(7,925,610)
End of the year	<u>\$ 300,215</u>	<u>\$ 557,677</u>	<u>\$ 857,892</u>	<u>\$ (8,942,587)</u>	<u>\$ (8,084,695)</u>

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, 2017

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. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At March 31, 2017, 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 only 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 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 unspent 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, 2017

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 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, 2017

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		\$ 857,892
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>(5,117,446)</u>	
Change due to capital assets		14,379,634
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.		86,805
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	(3,852,496)	
Interest payable on bonds	<u>(11,287)</u>	
Change due to long-term debt		(3,863,783)
Amounts due to the District's developer 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	81,217	
Penalty and interest receivable	<u>8,186</u>	
Change due to property taxes		89,403
Total net position - governmental activities		<u><u>\$ (8,084,695)</u></u>

Flamingo Isles Municipal Utility District of Galveston County
Notes to Basic Financial Statements
March 31, 2017

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	\$	119,006
--	----	---------

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes.

	(3,472)
--	---------

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	\$	165,000	
Interest expense accrual		(6,351)	
		158,649	

In the *Statement of Activities*, 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		\$	(159,085)
---	--	----	-----------

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, 2017

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, 2017, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	Debt Service	\$ 270,000	53.89%	N/A	N/A
Texas CLASS	General	231,051	46.11%	AAAm	68 days
Total		<u>\$ 501,051</u>	<u>100.00%</u>		

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

Texas CLASS

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

Flamingo Isles Municipal Utility District of Galveston County
Notes to Basic Financial Statements
March 31, 2017

Note 3 – Deposits and Investments (continued)

Texas CLASS (continued)

The District’s investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). The District implemented GASB Statement No. 72, “Fair Value Measurement and Application,” during the current fiscal year. This statement establishes a hierarchy of inputs used to measure fair value as follows: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District’s investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

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

Investment Credit and Interest Rate Risk

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

Note 4 – Amounts Due to/from Other Funds

Amounts due to/from other funds at March 31, 2017, consist of the following:

	Interfund	
	Receivable	Payable
General Fund	\$ 9,584	\$ -
Debt Service Fund		9,584
	<u>\$ 9,584</u>	<u>\$ 9,584</u>

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Flamingo Isles Municipal Utility District of Galveston County
Notes to Basic Financial Statements
March 31, 2017

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended March 31, 2017, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets being depreciated			
Infrastructure	\$ 19,497,080	\$ -	\$ 19,497,080
Less accumulated depreciation	(4,684,178)	(433,268)	(5,117,446)
Capital assets, net	<u>\$ 14,812,902</u>	<u>\$ (433,268)</u>	<u>\$ 14,379,634</u>

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

Note 6 – Due to Developer

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer and drainage facilities. Under the agreements, the developer will advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. 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 developer at March 31, 2017 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	\$ 3,880,000
Unamortized discounts	(27,504)
	<u>\$ 3,852,496</u>
Due within one year	<u>\$ 170,000</u>

The District's bonds payable at March 31, 2017, 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	\$ 3,880,000	\$ 4,220,000	2.0% - 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, 2017

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, 2017, 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.

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

Bonds payable, beginning of year	\$	4,045,000
Bonds retired		(165,000)
Bonds payable, end of year	<u>\$</u>	<u>3,880,000</u>

As of March 31, 2017, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
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>\$ 3,880,000</u>	<u>\$ 1,449,480</u>	<u>\$ 5,329,480</u>

Flamingo Isles Municipal Utility District of Galveston County
Notes to Basic Financial Statements
March 31, 2017

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 2017 fiscal year was financed through the 2016 tax levy, pursuant to which the District levied property taxes of \$0.58 per \$100 of assessed value, of which \$0.25 was allocated to maintenance and operations and \$0.33 was allocated to debt service. The resulting tax levy was \$554,773 on the adjusted taxable value of \$95,650,436.

Property taxes receivable, at March 31, 2017, consisted of the following:

Current year taxes receivable	\$	86,124
Prior years taxes receivable		19
		86,143
Penalty and interest receivable		8,186
Property taxes receivable	\$	94,329

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.

Flamingo Isles Municipal Utility District of Galveston County
Notes to Basic Financial Statements
March 31, 2017

Note 9 – Agreement with the City of Hitchcock (continued)

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.

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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, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 204,554	\$ 204,554	\$ 237,815	\$ 33,261
Miscellaneous	1,510	1,510	16	(1,494)
Investment earnings	1,500	1,500	1,018	(482)
Total Revenues	<u>207,564</u>	<u>207,564</u>	<u>238,849</u>	<u>31,285</u>
Expenditures				
Operating and administrative				
Professional fees	91,800	91,800	82,760	9,040
Contracted services	10,500	10,500	12,060	(1,560)
Repairs and maintenance	58,000	91,844	46,596	45,248
Administrative	13,420	13,420	4,457	8,963
Total Expenditures	<u>173,720</u>	<u>207,564</u>	<u>145,873</u>	<u>61,691</u>
Revenues Over Expenditures	33,844		92,976	92,976
Fund Balance				
Beginning of the year	207,239	207,239	207,239	
End of the year	<u>\$ 241,083</u>	<u>\$ 207,239</u>	<u>\$ 300,215</u>	<u>\$ 92,976</u>

Flamingo Isles Municipal Utility District of Galveston County
Notes to Required Supplementary Information
March 31, 2017

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. The budget was amended during the year to reflect changes in anticipated expenditures.

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Texas Supplementary Information

Flamingo Isles Municipal Utility District of Galveston County
TSI-1. Services and Rates
March 31, 2017

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, 2017

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, 2017*

Professional fees	
Legal	\$ 35,095
Audit	9,100
Engineering	<u>38,565</u>
	<u>82,760</u>
Contracted services	
Bookkeeping	<u>12,060</u>
Repairs and maintenance	<u>46,596</u>
Administrative	
Insurance	2,037
Other	<u>2,420</u>
	<u>4,457</u>
Total expenditures	<u>\$ 145,873</u>

See accompanying auditors' report.

Flamingo Isles Municipal Utility District of Galveston County
TSI-3. Investments
March 31, 2017

<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					
Texas CLASS	01-0592-0001	Variable	N/A	\$ 130,555	\$ -
Texas CLASS	01-0592-0002	Variable	N/A	100,496	
				<u>231,051</u>	<u>-</u>
Debt Service					
Certificate of deposit	441931	0.90%	2/21/2018	120,000	113
Certificate of deposit	315549	0.80%	6/7/2017	150,000	976
				<u>270,000</u>	<u>1,089</u>
Total - All Funds				<u>\$ 501,051</u>	<u>\$ 1,089</u>

See accompanying auditors' report.

Flamingo Isles Municipal Utility District of Galveston County
TSI-4. Taxes Levied and Receivable
March 31, 2017

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 37,964	\$ 57,772	\$ 95,736	
Adjustments	112	170	282	
Adjusted Receivable	38,076	57,942	96,018	
2016 Original Tax Levy	224,726	296,638	521,364	
Adjustments	14,400	19,009	33,409	
Adjusted Tax Levy	239,126	315,647	554,773	
Total to be accounted for	277,202	373,589	650,791	
Tax collections:				
Current year	202,004	266,645	468,649	
Prior years	38,068	57,931	95,999	
Total Collections	240,072	324,576	564,648	
Taxes Receivable, End of Year	\$ 37,130	\$ 49,013	\$ 86,143	
Taxes Receivable, By Years				
2016	\$ 37,122	\$ 49,002	\$ 86,124	
2015	8	11	19	
Taxes Receivable, End of Year	\$ 37,130	\$ 49,013	\$ 86,143	
	2016	2015	2014	2013
Property Valuations				
Land	\$ 45,653,520	\$ 45,049,170	\$ 43,695,010	\$ 38,896,350
Improvements	50,615,713	45,549,131	34,160,270	28,579,412
Personal Property	314,873	237,018	212,151	162,106
Exemptions	(933,670)	(1,850,199)	(990,948)	(171,668)
Total Property Valuations	\$ 95,650,436	\$ 88,985,120	\$ 77,076,483	\$ 67,466,200
Tax Rates per \$100 Valuation				
Maintenance tax rates	\$ 0.2500	\$ 0.2300	\$ 0.2225	\$ 0.2100
Debt service tax rates	0.3300	0.3500	0.3775	0.3775
	\$ 0.5800	\$ 0.5800	\$ 0.6000	\$ 0.5875
Adjusted Tax Levy:	\$ 554,773	\$ 516,114	\$ 462,459	\$ 396,364
Percentage of Taxes Collected to Taxes Levied **	84.48%	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, 2017

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
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>\$ 3,880,000</u>	<u>\$ 1,449,480</u>	<u>\$ 5,329,480</u>

See accompanying auditors' report.

Flamingo Isles Municipal Utility District of Galveston County
TSI-6. Change in Long-Term Bonded Debt
March 31, 2017

	<u>Bond Issue</u>
	Series 2015
	<u>Refunding</u>
Interest rate	2.0% - 4.1%
Dates interest payable	9/1; 3/1
Maturity dates	3/1/16 - 3/1/35
Beginning bonds outstanding	\$ 4,045,000
Bonds retired	(165,000)
Ending bonds outstanding	<u>\$ 3,880,000</u>
Interest paid during fiscal year	<u>\$ 135,443</u>
Paying agent's name and city	
Series 2015 Refunding	<u>Amegy Bank National Association, Houston, Texas</u>

	Water, Sewer and	
Bond Authority:	<u>Drainage Bonds</u>	<u>Refunding Bonds</u>
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, 2017:	<u>\$ 565,498</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 296,082</u>

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				
	2017	2016	2015	2014	2013
Revenues					
Property taxes	\$ 237,815	\$ 171,897	\$ 176,543	\$ 141,028	\$ 142,409
Miscellaneous	16	24	306	4,950	
Investment earnings	1,018	678	838	747	582
Total Revenues	<u>238,849</u>	<u>172,599</u>	<u>177,687</u>	<u>146,725</u>	<u>142,991</u>
Expenditures					
Operating and administrative					
Professional fees	82,760	89,145	89,589	72,543	50,305
Contracted services	12,060	12,803	8,833	9,366	13,042
Repairs and maintenance	46,596	177,979	38,611	36,128	
Administrative	4,457	26,263	7,219	4,443	11,223
Capital outlay					42,901
Total Expenditures	<u>145,873</u>	<u>306,190</u>	<u>144,252</u>	<u>122,480</u>	<u>117,471</u>
Revenues Over (Under) Expenditures	<u>\$ 92,976</u>	<u>\$ (133,591)</u>	<u>\$ 33,435</u>	<u>\$ 24,245</u>	<u>\$ 25,520</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2017	2016	2015	2014	2013
100%	100%	100%	96%	100%
*	*	*	3%	
*	*	*	1%	*
100%	100%	100%	100%	100%
35%	52%	50%	49%	35%
5%	7%	5%	6%	9%
20%	103%	22%	25%	
2%	15%	4%	3%	8%
				30%
62%	177%	81%	83%	82%
38%	(77%)	19%	17%	18%

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				
	2017	2016	2015	2014	2013
Revenues					
Property taxes	\$ 320,710	\$ 261,743	\$ 300,129	\$ 254,150	\$ 258,985
Penalties and interest	16,444	9,323	6,031	4,819	15,066
Investment earnings	2,976	2,455	1,809	1,211	6,018
Total Revenues	<u>340,130</u>	<u>273,521</u>	<u>307,969</u>	<u>260,180</u>	<u>280,069</u>
Expenditures					
Tax collection services	13,157	12,354	11,458	11,840	13,383
Debt service					
Principal	165,000	175,000	110,000	105,000	100,000
Interest and fees	135,943	189,187	221,155	226,668	231,918
Debt issuance costs		171,509			
Early extinguishment of debt		8,000			
Total Expenditures	<u>314,100</u>	<u>556,050</u>	<u>342,613</u>	<u>343,508</u>	<u>345,301</u>
Revenues Over/(Under) Expenditures	<u>\$ 26,030</u>	<u>\$ (282,529)</u>	<u>\$ (34,644)</u>	<u>\$ (83,328)</u>	<u>\$ (65,232)</u>
Total Active Retail Water Connections	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Active Retail Wastewater Connections	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2017	2016	2015	2014	2013
94%	96%	97%	98%	93%
5%	3%	2%	2%	5%
1%	1%	1%	*	2%
100%	100%	100%	100%	100%
4%	5%	4%	5%	5%
49%	64%	36%	40%	36%
40%	69%	72%	87%	83%
	63%			
	3%			
93%	204%	112%	132%	124%
7%	(104%)	(12%)	(32%)	(24%)

***Flamingo Isles Municipal Utility District of Galveston County
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended March 31, 2017***

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): March 24, 2017
 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
Board Members				
Jane O. McKenzie	11/16 - 11/20	\$ -	\$ 30	President
Beverly Holmes	11/16 - 11/20			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
Consultants				
Norton Rose Fulbright US LLP	03/03	\$ 35,095		Attorney
Municipal Accounts & Consulting Inc.	08/11	12,133		Bookkeeper
Assessments of the Southwest, Inc.	02/03	5,825		Tax Collector
Galveston Central Appraisal District	Legislation	4,084		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	04/05	1,775		Delinquent Tax Attorney
Shelmark Engineering, LLC	08/08	33,065		Engineer
McGrath & Co., PLLC	Annual	9,100		Auditor
The GMS Group, Inc.	03/03			Financial Advisor

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