

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2015

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Chimney Hill Municipal Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Chimney Hill Municipal Utility District (the "District"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's 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 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 financial statements are free from 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 policies 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 and appropriate to provide a basis for our audit opinions.

Opinions

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 the District as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and Special Revenue Fund 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 to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

December 18, 2015

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Management's discussion and analysis of Chimney Hill Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide portion of these statements provides both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of the government-wide financial statements is the Statement of Net Position. The Statement of Net Position is the District-wide statement of its financial position presenting information that includes all of the District's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has four governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Special Revenue Fund accounts for financial resources collected and administered for the operation of the wastewater treatment plant. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

FUND FINANCIAL STATEMENTS (Continued)

accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Governmental funds are reported in each of the financial statements. The focus in the fund financial statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO FINANCIAL STATEMENTS

The accompanying notes to financial statements provide information essential to a full understanding of the government-wide and fund financial statements. .

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). Budgetary comparison schedules are included as RSI for the General Fund and the Special Revenue Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows exceeded liabilities by \$273,840 as of September 30, 2015.

A portion of the District's net position reflects its net investment in capital assets (land, buildings and equipment as well as water and wastewater facilities, less any debt used to acquire those assets that is still outstanding).

The following is a comparative analysis of government-wide changes in net position:

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2015	2014	Change Positive (Negative)
Current and Other Assets	\$ 10,153,990	\$ 6,532,005	\$ 3,621,985
Capital Assets (Net of Accumulated Depreciation)	7,970,145	8,338,990	(368,845)
Total Assets	\$ 18,124,135	\$ 14,870,995	\$ 3,253,140
Deferred Outflows of Resources	\$ 125,724	\$ 149,994	\$ (24,270)
Long-Term Liabilities	\$ 15,898,660	\$ 13,447,653	\$ (2,451,007)
Other Liabilities	2,077,359	1,957,476	(119,883)
Total Liabilities	\$ 17,976,019	\$ 15,405,129	\$ (2,570,890)
Net Position:			
Net Investment in Capital Assets	\$ (5,385,268)	\$ (5,694,448)	\$ 309,180
Restricted	3,337,798	3,238,060	99,738
Unrestricted	2,321,310	2,072,248	249,062
Total Net Position	\$ 273,840	\$ (384,140)	\$ 657,980

*

The following table provides a summary of the District's operations for the years ended September 30, 2015, and September 30, 2014. The District's net assets increased by \$657,980, accounting for a 171.3% growth in net position.

	Summary of Changes in the Statement of Activities		
	2015	2014	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,504,604	\$ 2,113,304	\$ 391,300
Sales Tax Receipts	87,860	74,367	13,493
Charges for Services	1,793,604	1,675,277	118,327
Other Revenues	50,867	63,109	(12,242)
Total Revenues	\$ 4,436,935	\$ 3,926,057	\$ 510,878
Expenses for Services	(3,778,955)	(3,591,454)	187,501
Change in Net Position	\$ 657,980	\$ 334,603	\$ 323,377
Net Position, Beginning of Year	(384,140)	(718,743)	334,603
Net Position, End of Year	\$ 273,840	\$ (384,140)	\$ 657,980

*

* As Adjusted, See Note 14

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of the fiscal year ended September 30, 2015, were \$9,214,130, an increase of \$3,645,448 from the prior year.

The General Fund fund balance increased by \$261,420, primarily due to service revenues exceeding operating expenditures during the current fiscal year.

The Debt Service Fund fund balance increased by \$206,953, primarily due to a timing difference between tax collections and debt service payments.

The Capital Projects Fund fund balance increased by \$3,177,075, primarily due to the sale of Series 2015 bonds, of which proceeds were still on hand at year end.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$154,786 more than budgeted revenues. Actual expenditures were \$67 less than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of September 30, 2015, total \$7,970,145 (net of accumulated depreciation) and include land, buildings and equipment as well as the water and wastewater systems. Construction in progress includes sanitary sewer rehabilitation planning and design, phase II, disinfection system at water plant no. 1 engineering and lift station rehabilitation engineering.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2015	2014	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 462,247	\$ 462,247	\$
Construction in Progress	92,256	11,243	81,013
Capital Assets, Net of Accumulated Depreciation:			
Water System	570,626	604,892	(34,266)
Wastewater System	1,954,099	2,045,103	(91,004)
Wastewater Treatment Plant	3,234,890	3,451,785	(216,895)
Water Plants	1,606,141	1,697,206	(91,065)
Other	49,886	66,514	(16,628)
Total Net Capital Assets	\$ 7,970,145	\$ 8,338,990	\$ (368,845)

Additional information on the District's capital assets can be found in Note 6.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total long-term debt payable of \$16,615,000.

The changes in the debt position of the District during the fiscal year ended September 30, 2015, are summarized as follows:

Bond Debt Payable, October 1, 2014	\$ 14,065,000
Add: Bond Sale Series 2015	3,505,000
Less: Bond Principal Paid	<u>955,000</u>
Bond Debt Payable, September 30, 2015	<u>\$ 16,615,000</u>

The bonds carry an underlying rating of “A-” by Standard and Poor’s Ratings Services (“S&P”).

The Series 2008 and Series 2011 bonds carry an insured rating of “AA” by S&P based on a policy issued by Assured Guaranty Municipal Corp.

The Series 2009 bonds carry an insured rating of “AA” by S&P based on a policy issued by Assured Guaranty Corp.

The Series 2014 bonds carry an insured rating of “AA” by S&P based on a policy issued by Build America Mutual Assurance Company.

The Series 2015 bonds carry an insured rating of “AA” by S&P based on a policy issued by Municipal Assurance Corp.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Chimney Hill Municipal Utility District, c/o Coats, Rose, Yale, Ryman & Lee, P.C., 9 Greenway Plaza, Suite 1100, Houston, TX 77046.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2015

	General Fund	Special Revenue Fund
ASSETS		
Cash	\$ 1,896,834	\$ 141,539
Investments	657,252	
Cash with Paying Agent		
Receivables:		
Property Taxes	24,661	
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$2,000)	172,361	
Accrued Interest	1,487	
Due from Developers	37,978	
Due from Other Funds		29,971
Prepaid Costs	33,576	
Due from Other Governments	40,819	3,421
Unamortized Costs		
Advance for Regional Wastewater Treatment Plant Operations	142,304	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 3,007,272	\$ 174,931
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,007,272	\$ 174,931

The accompanying notes to financial
statements are an integral part of this report.

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 1,350,040	\$ 3,570,931	\$ 6,959,344	\$	\$ 6,959,344
765,423	10,000	1,432,675		1,432,675
1,306,494		1,306,494		1,306,494
53,038		77,699		77,699
34,389		34,389		34,389
		172,361		172,361
1,156		2,643		2,643
		37,978		37,978
9,951		39,922	(39,922)	
		33,576		33,576
		44,240		44,240
			52,591	52,591
		142,304	(142,304)	
			462,247	462,247
			92,256	92,256
			<u>7,415,642</u>	<u>7,415,642</u>
<u>\$ 3,520,491</u>	<u>\$ 3,580,931</u>	<u>\$ 10,283,625</u>	<u>\$ 7,840,510</u>	<u>\$ 18,124,135</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 125,724</u>	<u>\$ 125,724</u>
<u>\$ 3,520,491</u>	<u>\$ 3,580,931</u>	<u>\$ 10,283,625</u>	<u>\$ 7,966,234</u>	<u>\$ 18,249,859</u>

The accompanying notes to financial statements are an integral part of this report.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>
LIABILITIES		
Accounts Payable	\$ 424,218	\$ 26,450
Accrued Interest Payable		
Due to Other Governments	51,348	
Due to Other Funds	39,922	
Due to Taxpayers		
Security Deposits	223,065	
Accrued Bond Interest Received at Time of Sale		
Advance from Participants		148,481
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	<u>\$ 738,553</u>	<u>\$ 174,931</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 24,661	\$
Penalty and Interest on Delinquent Taxes		
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 24,661</u>	<u>\$ -0-</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 33,576	\$
Advance for Regional Wastewater Treatment Operations	142,304	
Restricted for Authorized Construction:		
Bond Proceeds		
Net Investment Revenues		
Restricted for Debt Service		
Unassigned	2,068,178	
TOTAL FUND BALANCES	<u>\$ 2,244,058</u>	<u>\$ - 0 -</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,007,272</u>	<u>\$ 174,931</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for:		
Debt Service		
Capital Projects		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to financial
statements are an integral part of this report.

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 6,626	\$ 30,410	\$ 487,704	\$	\$ 487,704
			286,494	286,494
		51,348		51,348
		39,922	(39,922)	
2,571		2,571		2,571
		223,065		223,065
4,316		4,316	(4,316)	
		148,481	(142,304)	6,177
			1,020,000	1,020,000
			15,898,660	15,898,660
<u>\$ 13,513</u>	<u>\$ 30,410</u>	<u>\$ 957,407</u>	<u>\$ 17,018,612</u>	<u>\$ 17,976,019</u>
\$ 53,038	\$	\$ 77,699	\$ (77,699)	\$
34,389		34,389	(34,389)	
<u>\$ 87,427</u>	<u>\$ -0-</u>	<u>\$ 112,088</u>	<u>\$ (112,088)</u>	<u>\$ -0-</u>
\$	\$	\$ 33,576	\$ (33,576)	\$
		142,304	(142,304)	
	3,437,523	3,437,523	(3,437,523)	
	112,998	112,998	(112,998)	
3,419,551		3,419,551	(3,419,551)	
		2,068,178	(2,068,178)	
<u>\$ 3,419,551</u>	<u>\$ 3,550,521</u>	<u>\$ 9,214,130</u>	<u>\$ (9,214,130)</u>	<u>\$ - 0 -</u>
<u>\$ 3,520,491</u>	<u>\$ 3,580,931</u>	<u>\$ 10,283,625</u>		
			\$ (5,385,268)	\$ (5,385,268)
			3,224,800	3,224,800
			112,998	112,998
			2,321,310	2,321,310
			<u>\$ 273,840</u>	<u>\$ 273,840</u>

The accompanying notes to financial statements are an integral part of this report.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Total Fund Balances - Governmental Funds \$ 9,214,130

Amounts reported for governmental activities in the Statement of Net Position are different because:

Bond insurance premiums paid at closing are amortized over the term of the refunding bonds. 52,591

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 125,724

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 7,970,145

Deferred tax revenues and deferred penalty and interest revenues on delinquent taxes for the 2014 and prior tax levies became part of recognized revenues in the governmental activities of the District. 112,088

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (282,178)	
Bonds Payable Within One Year	(1,020,000)	
Bonds Payable After One Year	<u>(15,898,660)</u>	<u>(17,200,838)</u>

Total Net Position - Governmental Activities \$ 273,840

The accompanying notes to financial statements are an integral part of this report.

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CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Special Revenue Fund
REVENUES		
Property Taxes	\$ 915,700	\$
Sales Tax Receipts	87,860	
Water Service	882,990	
Wastewater Service	743,869	478,159
Penalty and Interest	66,057	
Tap Connection and Inspection Fees	49,849	
Investment Revenues	7,462	94
Miscellaneous Revenues	15,704	
	<u>\$ 2,769,491</u>	<u>\$ 478,253</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 257,058	\$ 7,387
Contracted Services	663,929	49,818
Purchased Water Service	513,426	
Purchased Wastewater Service	456,328	
Utilities	43,443	69,522
Repairs and Maintenance	362,117	157,367
Depreciation		
Other	209,821	194,159
Capital Outlay		
Debt Service:		
Bond Principal		
Bond Interest		
Bond Issuance Costs	1,949	
	<u>\$ 2,508,071</u>	<u>\$ 478,253</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 261,420</u>	<u>\$ -0-</u>
OTHER FINANCING SOURCES (USES)		
Long-Term Debt Issued	\$	\$
Bond Discount		
	<u>\$ -0-</u>	<u>\$ -0-</u>
TOTAL OTHER FINANCING SOURCES (USES)		
NET CHANGE IN FUND BALANCES	\$ 261,420	\$ -0-
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2014, AS ADJUSTED	<u>1,982,638</u>	<u>-0-</u>
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2015	<u>\$ 2,244,058</u>	<u>\$ -0-</u>

The accompanying notes to financial statements are an integral part of this report.

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ 1,599,057	\$	\$ 2,514,757	\$ (10,153)	\$ 2,504,604
		87,860		87,860
		882,990		882,990
		1,222,028	(456,328)	765,700
30,916		96,973	(1,908)	95,065
		49,849		49,849
6,626	2,460	16,642		16,642
18,521		34,225		34,225
<u>\$ 1,655,120</u>	<u>\$ 2,460</u>	<u>\$ 4,905,324</u>	<u>\$ (468,389)</u>	<u>\$ 4,436,935</u>
\$ 18,185	\$	\$ 282,630	\$	\$ 282,630
53,773		767,520		767,520
		513,426		513,426
		456,328	(456,328)	
		112,965		112,965
		519,484		519,484
			449,858	449,858
3,254	426	407,660		407,660
	81,013	81,013	(81,013)	
955,000		955,000	(955,000)	
417,955		417,955	89,534	507,489
	215,974	217,923		217,923
<u>\$ 1,448,167</u>	<u>\$ 297,413</u>	<u>\$ 4,731,904</u>	<u>\$ (952,949)</u>	<u>\$ 3,778,955</u>
<u>\$ 206,953</u>	<u>\$ (294,953)</u>	<u>\$ 173,420</u>	<u>\$ (173,420)</u>	<u>\$ -0-</u>
\$	\$ 3,505,000	\$ 3,505,000	\$ (3,505,000)	\$
	(32,972)	(32,972)	32,972	
<u>\$ -0-</u>	<u>\$ 3,472,028</u>	<u>\$ 3,472,028</u>	<u>\$ (3,472,028)</u>	<u>\$ -0-</u>
\$ 206,953	\$ 3,177,075	\$ 3,645,448	\$ (3,645,448)	\$
			657,980	657,980
<u>3,212,598</u>	<u>373,446</u>	<u>5,568,682</u>	<u>(5,952,822)</u>	<u>(384,140)</u>
<u>\$ 3,419,551</u>	<u>\$ 3,550,521</u>	<u>\$ 9,214,130</u>	<u>\$ (8,940,290)</u>	<u>\$ 273,840</u>

The accompanying notes to financial statements are an integral part of this report.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Net Change in Fund Balances - Governmental Funds	\$ 3,645,448
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.	(10,153)
Governmental funds report penalty and interest revenues on property taxes when collected. However, in the government-wide financial statements, revenues are recorded when penalty and interest are assessed.	(1,908)
Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(449,858)
Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities.	81,013
Governmental funds report bond discounts as other financing uses in the year paid. However, in the government-wide financial statements, bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in interest expense.	32,972
Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.	955,000
Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the debt through fiscal year-end.	(89,534)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the government-wide financial statements.	<u>(3,505,000)</u>
Change in Net Position - Governmental Activities	<u>\$ 657,980</u>

The accompanying notes to financial statements are an integral part of this report.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1. CREATION OF DISTRICT

Chimney Hill Municipal Utility District, located in Harris County, Texas (the “District”), was created effective September 16, 1976, by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct and maintain parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on December 17, 1976, and the first bonds were sold on November 17, 1977.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB 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 statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Invested in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenues and expenses in the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Governmental Funds Balance Sheet and a Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has four governmental funds and considers these funds to be major funds.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, costs and general expenditures.

Special Revenue Fund - To account for financial resources collected and administered by the District for the operation of the wastewater treatment plant.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in the governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenues include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as an expenditure in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost of \$15,000 or more and a useful life of at least two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts unappropriated budgets for the General Fund and the Special Revenue Fund. The General Fund budget was not amended during the current fiscal year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets, liabilities, and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Governmental Funds Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. LONG-TERM DEBT

	<u>Series 2008</u>	<u>Refunding Series 2009</u>
Amount Outstanding – September 30, 2015	\$ 1,350,000	\$ 2,475,000
Interest Rates	4.00%	4.00%
Maturity Dates – Beginning/Ending	October 1, 2025/2026	October 1, 2015/2018
Interest Payment Dates	October 1/April 1	October 1/April 1
Callable Dates	October 15, 2015*	Not Callable

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 3. LONG-TERM DEBT (Continued)

	Refunding Series 2011	Refunding Series 2014	Series 2015
Amount Outstanding - September 30, 2015	\$ 4,195,000	\$ 5,090,000	\$ 3,505,000
Interest Rates	3.00% - 4.00%	2.00% - 3.50%	2.50% - 3.00%
Maturity Dates – Beginning/Ending	October 1, 2015/2021	October 1, 2015/2017, 2021/2024	October 1, 2024/2027, 2029
Interest Payment Dates	October 1/April 1	October 1/April 1	October 1/April 1
Callable Dates	Not Callable	October 1, 2021	October 1, 2022

* Or any date thereafter, in such manner as the District may determine, callable at par plus unpaid accrued interest, in whole or in part, at the option of the District. The Series 2014 term bonds maturing on October 1, 2021, are subject to mandatory redemption beginning October 1, 2018. The Series 2015 term bonds maturing on October 1, 2029, are subject to mandatory redemption beginning October 1, 2028.

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2015:

	October 1, 2014	Additions	Retirements	September 30, 2015
Bonds Payable	\$ 14,065,000	\$ 3,505,000	\$ 955,000	\$ 16,615,000
Unamortized Discounts	(27,790)	(32,972)	(4,852)	(55,910)
Unamortized Premiums	408,704		49,134	359,570
Bonds Payable, Net	<u>\$ 14,445,914</u>	<u>\$ 3,472,028</u>	<u>\$ 999,282</u>	<u>\$ 16,918,660</u>
		Amount Due Within One Year		\$ 1,020,000
		Amount Due After One Year		15,898,660
		Bonds Payable, Net		<u>\$ 16,918,660</u>

As of September 30, 2015, the District had authorized but unissued bonds in the amount of \$18,120,000 for utility facilities and \$5,745,000 for refunding purposes.

As of September 30, 2015, the debt service requirements on the bonds outstanding were as follows:

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 3. LONG-TERM DEBT (Continued)

Fiscal Year	Principal	Interest	Total
2016	\$ 1,020,000	\$ 558,937	\$ 1,578,937
2017	1,050,000	528,388	1,578,388
2018	1,085,000	496,687	1,581,687
2019	1,145,000	457,976	1,602,976
2020	1,235,000	434,249	1,669,249
2021-2025	6,450,000	1,343,501	7,793,501
2026-2030	4,630,000	374,181	5,004,181
	<u>\$ 16,615,000</u>	<u>\$ 4,193,919</u>	<u>\$ 20,808,919</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and wastewater system.

During the year ended September 30, 2015, the District levied an ad valorem debt service tax at the rate of \$0.54 per \$100 of assessed valuation, which resulted in a tax levy of \$1,595,955 on the adjusted taxable valuation of \$295,298,727 for the 2014 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes, see Note 7 for maintenance tax levy.

The District's tax calendar is as follows:

Levy Date - October 1 or as soon thereafter as practicable.

Lien Date - January 1.

Due Date - Not later than January 31.

Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND RESOLUTIONS AND LEGAL REQUIREMENTS

A. The bond resolutions state that any profits realized from or interest accruing on investments shall belong to the fund from which the moneys for such investments were taken; provided, however, that at the discretion of the Board of Directors the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 4. SIGNIFICANT BOND RESOLUTIONS AND LEGAL REQUIREMENTS
(Continued)

- B. The bond resolutions state that so long as any of the bonds remain outstanding, the District covenants that it will at all times keep insured such parts of the system as are customarily insured by municipal corporations and political subdivisions in Texas operating like properties in similar locations under the same circumstances with a responsible insurance company or companies against risks, accidents or casualties against which and to the extent insurance is customarily carried by such municipal corporations and political subdivisions; provided, however, that at any time while any contractor engaged in construction work shall be fully responsible therefor, the District shall not be required to carry such insurance.

The District has physical damage coverage of \$10,393,800, boiler and machinery coverage of \$10,393,800 and pollution liability and pollution clean-up and removal coverages of \$5,000,000. The District also has general liability and auto liability coverage with a maximum limit of \$5,000,000 each.

- C. The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each 5th-year anniversary of each issue.

In compliance with this covenant, the 5th year arbitrage rebate report was completed for the Series 2009 refunding bond issue and the final arbitrage rebate reports were completed for the Series 2003 bond issue and the Series 2004 refunding bond issue. The reports reflect that the District did not have a rebate obligation to the federal government on these bond issues.

- D. The bond resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to each nationally recognized municipal securities information repository and the state information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$8,190,856 and the bank balance was \$8,354,569. Of the bank balance, \$2,126,824 was covered by federal depository insurance and the balance was covered by pledged collateral held in safekeeping by a third-party institution in the District’s name.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2015, as listed below:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 1,896,834	\$ 640,267	\$ 2,537,101
SPECIAL REVENUE FUND	141,539		141,539
DEBT SERVICE FUND	1,350,040	591,245	1,941,285
CAPITAL PROJECTS FUND	<u>3,570,931</u>		<u>3,570,931</u>
TOTAL DEPOSITS	<u>\$ 6,959,344</u>	<u>\$ 1,231,512</u>	<u>\$ 8,190,856</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (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, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other 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 secured by delivery, (9) certain 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.

All investments are recorded at cost which the District considers to be fair value. The District invests in TexPool and TexSTAR, external investment pools that are not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool. Federated Investors, Inc. manages the daily operations of TexPool under a contract with the Comptroller. First Southwest Company and J.P. Morgan Investment Management, Inc. manage the daily operations of TexSTAR. The fair value of the District's position in each pool is the same as the value of pool shares.

As of September 30, 2015, the District had the following investments and maturities:

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Fund and Investment Type	Fair Value	Maturities in Years		
		Less Than 1	1-5	6-10
<u>GENERAL FUND</u>				
TexPool	\$ 4,622	\$ 4,622	\$	\$
TexSTAR	12,363	12,363		
Certificates of Deposit	640,267	148,674	491,593	
<u>DEBT SERVICE FUND</u>				
TexPool	172,053	172,053		
TexSTAR	2,125	2,125		
Certificates of Deposit	591,245		591,245	
<u>CAPITAL PROJECTS FUND</u>				
TexPool	10,000	10,000		
TOTAL INVESTMENTS	<u>\$ 1,432,675</u>	<u>\$ 349,837</u>	<u>\$ 1,082,838</u>	<u>\$ - 0 -</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2015, the District's investments in TexPool and TexSTAR were rated "AAAm" by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit covered by FDIC insurance.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and TexSTAR to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of approximately one year or less.

Restrictions

All cash and investments of the Special Revenue Fund are restricted for the payment of wastewater treatment plant operations.

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015:

	October 1, 2014	Increases	Decreases	September 30, 2015
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 462,247	\$	\$	\$ 462,247
Construction in Progress	11,243	81,013		92,256
Total Capital Assets Not Being Depreciated	<u>\$ 473,490</u>	<u>\$ 81,013</u>	<u>\$ - 0 -</u>	<u>\$ 554,503</u>
Capital Assets Subject to Depreciation				
Water System	\$ 1,541,984	\$	\$	\$ 1,541,984
Wastewater System	3,926,088			3,926,088
Wastewater Treatment Plant	5,956,324			5,956,324
Water Plants	3,342,308			3,342,308
Other	83,142			83,142
Total Capital Assets Cost Subject to Depreciation	<u>\$ 14,849,846</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 14,849,846</u>
Accumulated Depreciation				
Water System	\$ 937,092	\$ 34,266	\$	\$ 971,358
Wastewater System	1,880,985	91,004		1,971,989
Wastewater Treatment Plant	2,504,539	216,895		2,721,434
Water Plants	1,645,102	91,065		1,736,167
Other	16,628	16,628		33,256
Total Accumulated Depreciation	<u>\$ 6,984,346</u>	<u>\$ 449,858</u>	<u>\$ - 0 -</u>	<u>\$ 7,434,204</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 7,865,500</u>	<u>\$ (449,858)</u>	<u>\$ - 0 -</u>	<u>\$ 7,415,642</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 8,338,990</u>	<u>\$ (368,845)</u>	<u>\$ - 0 -</u>	<u>\$ 7,970,145</u>

The District has financed water and drainage facilities which have been conveyed to other entities for maintenance.

NOTE 7. MAINTENANCE TAX

On January 15, 1977, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District. On November 5, 2013, voters of the District approved to increase the maximum maintenance tax rate to \$1.00 per \$100 of assessed valuation. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended September 30, 2015, the District levied an ad valorem maintenance tax at the rate of \$0.31 per \$100 of assessed valuation which resulted in a tax levy of \$916,197 on the adjusted taxable valuation of \$295,298,727 for the 2014 tax year.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8. WATER SUPPLY AGREEMENTS

Camfield Municipal Utility District

On December 30, 1980, the District executed a water supply agreement with a developer within Camfield Municipal Utility District (“Camfield”). Subsequent to that date, the contract was assigned to Camfield Municipal Utility District and has had four supplemental agreements executed. The general term of the agreements is 40 years from the date of execution.

The agreements provide for the District to construct a 1,200 gallon-per-minute water well and plant. The District and Camfield agreed to provide their own service lines to connect to the new well and plant. The District owns the plant and site. In accordance with the agreement, Camfield paid the District \$20,000 which was recorded as revenue in a prior year. The District purchased the water plant site from Camfield for \$20,000 which was paid from the Capital Projects Fund.

The District agrees to provide Camfield 50,000 gallons per day of water at a cost of 2 1/4 times the single-family residential rate charged by the District. Camfield agrees to pay a minimum payment of \$900 per month from the date of actual connection to the system. Any excess payment beyond usage shall be carried forward from month to month. Camfield has used all of its excess payments. The term of the agreement is 40 years and thereafter from year to year. Either district may terminate the agreement by giving one year written notice; however, if water usage by Camfield falls below 5,000 gallons per day for six out of twelve consecutive months, then either district may terminate the agreement by giving six month’s written notice.

During the current fiscal year, the District recorded revenue of \$65,889 for water supplied to Camfield. At September 30, 2015, Camfield owed the District \$19,106 for water supplied under the terms of this agreement.

Spencer Road Public Utility District

On December 20, 1977, the District entered into an emergency water supply contract with Spencer Road Public Utility District (“Spencer Road”). Each district is responsible for one-half of the cost of constructing the interconnect line and one-half of all repairs and maintenance of the connecting valve. Each district is also responsible for maintaining and repairing that part of the facilities within their boundaries. The term of the contract is 40 years. The contract was amended on May 13, 2002 to revise the price to be paid for water.

The price to be paid by any party using water under this contract shall be the current rate that the District is paying the City of Houston (“COH”) plus \$0.25 per 1,000 gallons of water used. If the District has already purchased the minimum monthly quantity from COH at the time the interconnect is opened by Spencer Road or the opening of the interconnect for Spencer Road causes the District to purchase more than the minimum monthly quantity from COH, Spencer Road shall also pay all penalties and surcharges incurred by the District. Each party shall render

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8. WATER SUPPLY AGREEMENTS (Continued)

Spencer Road Public Utility District (Continued)

a bill to the other on or before the 19th day of each month for water supplied during the preceding calendar month, as measured by the flow meter installed, and such bill shall be due and payable 30 days after such bill is rendered.

An 8-inch electronic bi-directional flow-meter has been constructed and installed by the District. The District paid \$29,654 for the flow-meter installation, and Spencer Road agrees to pay 50 percent of the costs, \$14,827. The District is allowing Spencer Road a credit of \$2,485 for costs incurred by Spencer Road for remote meter reading equipment installation. The total agreed upon payment by Spencer Road is \$12,342. Spencer Road shall pay this amount in the form of a flow-meter fee of \$0.75 per 1,000 gallons of water pumped through the flow-meter in addition to the rate agreed to above.

City of Houston, Texas

Effective March 3, 1998, the District entered into a water supply contract with the City of Houston (“COH”). The District constructed water supply facilities at an approximate cost of \$1,027,617 to allow for the District to receive water from the City of Houston. The District was responsible for 58 percent of the cost of constructing the water main on FM 529 and 100 percent of the cost of the water tap and water main on Mayard Road. COH’s share of the project was limited to \$321,000. On March 23, 2001, the District conveyed to COH title to the FM 529 water main and the Mayard Road tap and meter. COH is responsible for operating, maintaining, repairing and replacing the facilities conveyed to it. As a result of this contract, the District has achieved more than 80 percent reduction in its groundwater withdrawals and has opted out of the West Harris County Regional Water Authority.

The charge for water shall be in accordance with the rates for contract treated water customers established by COH ordinance. The rate at the beginning of the current fiscal year was \$2.6903 per 1,000 gallons. Effective April 1, 2015, the rate increased to \$2.842 per 1,000 gallons. The District’s current minimum bill is based upon 0.462 million gallons per day times the number of days in the billing period. COH adds an additional fee to all usage over the minimum bill, determined by multiplying the excess gallons used (expressed in units of 1,000 gallons) times the current rate. The excess usage rate is currently \$0.705. The District can revise its minimum quantity no more than once each calendar year. The term of the contract is 40 years.

During the current fiscal year, the District recorded an expenditure of \$513,426 for water purchased from COH.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8. WATER SUPPLY AGREEMENTS (Continued)

Harris County Municipal Utility District No. 130

On May 8, 2002, the District and Harris County Municipal Utility District No. 130 (“District No. 130”) entered into an interim and emergency water supply contract. District No. 130 is responsible for constructing and maintaining the interconnect line at its sole cost and expense.

The price to be paid for water during an emergency shall be the greater of (1) \$1.50 per 1,000 gallons of water delivered, as measured by the flow meter; or (2) \$0.25 per 1,000 gallons of water delivered plus the cost per 1,000 gallons paid by the supplying district to purchase water from another entity. In addition, all reasonable costs incurred by the supplying district in implementing the interconnect during an emergency shall be borne by the district receiving water. The term of this portion of the contract is ten years and shall continue for additional one-year periods unless terminated by either district by providing 60 days written notice.

On July 1, 2003, the contract was amended and restated to provide for a metered bypass line at the point of delivery, for use during the emergency delivery of water. Each district will pay half the cost of the bypass line construction and bypass meter purchase and installation. Each district will pay half the costs of maintaining the bypass line and bypass meter.

On May 27, 2005, the District approved a letter agreement with District No. 130 whereby the District agreed to terminate the interim water supply provisions. In accordance with Section 4.04 of the contract, termination of the interim water supply provisions during the initial five-year term became effective when: (1) the City of Houston agreed to reduce the District’s monthly allotment of water purchased pursuant to the contract between the City of Houston and the District or the District agreed to assume District No. 130’s monthly allotment, and (2) District No. 130 acquired a permanent water supply through the West Harris County Regional Water Authority (the “Authority”) or the Copperfield Consortium. The District agreed to assume District No. 130’s 1.2 million gallons per month allotment under the contract. By letter dated May 1, 2007, District No. 130 notified the District that District No. 130 had acquired a permanent water supply from the Authority; therefore, the interim water supply to District No. 130 ceased.

NOTE 9. WASTE DISPOSAL AGREEMENT

On April 13, 1984, the District executed a waste disposal agreement with Camfield Municipal Utility District (“Camfield”). On October 12, 1984, a supplemental waste disposal agreement was executed. On May 20, 1988, a second supplemental waste disposal agreement was executed. The agreement allowed the District to construct a 600,000 gallon per day (gpd) wastewater treatment plant on a site designated by Camfield. The agreement gave Camfield the right to acquire capacity of 60,000 gpd in the initial phase of the plant provided that Camfield

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 9. WASTE DISPOSAL AGREEMENT (Continued)

paid a pro rata share of the costs of design and construction. Camfield and its developer were responsible for all reasonable costs associated with the relocation of the plant site.

On September 11, 1992 a restated waste disposal agreement was executed. This agreement sets forth provisions for the first phase of construction of the plant, future enlargements and amendments to the waste discharge permit held jointly by the parties. This agreement sets aside all prior agreements between the District and Camfield relating to waste disposal. The agreement includes specifications for expansion of the plant by one or both of the parties.

The District will operate the plant and hold title for the benefit of the parties. The term of the agreement is 40 years.

During fiscal year 1992, the initial phase of the plant was completed at a total cost of \$1,674,966 which included the plant site, engineering, and construction costs. Camfield's ten percent share was \$167,497. The District's 90 percent share was \$1,507,469. Camfield paid \$167,497 to the District for its pro rata share of the costs.

Amendment No. 1 to the agreement dated October 21, 1993, reduced the ultimate capacity of the plant from 1,500,000 gpd to 900,000 gpd. Amendment No. 2 to the agreement dated May 28, 1999, authorized the transfer of Camfield's interest in the waste discharge permit to the District. The amended permit was approved by the Commission on May 4, 1999. Amendment No. 3 dated June 9, 2000, transferred 10,000 gpd capacity from Camfield to the District. The ultimate capacity of the plant was increased from 900,000 gpd to 1,200,000 gpd. In 1999, the District began the design of the Plant expansion to reach the ultimate capacity. The District was responsible for 100 percent of the expansion costs. The Plant expansion was completed in November of 2004.

	Current Capacity	Percentage of Ownership
Chimney Hill Municipal Utility District	1,150,000 gpd	95.84
Camfield Municipal Utility District	50,000	4.16
	1,200,000 gpd	100.00

The participating districts are billed for operating charges on a monthly basis. The monthly billing to each district is based on the amount of flow to the plant from each district. An operating reserve of \$148,481 has been established by the districts, \$142,304 advanced by the District and \$6,177 advanced by Camfield. During the current year the District recorded expenditures of \$456,328 for purchased wastewater service. Separate financial statements on the wastewater treatment plant can be obtained by contacting Coats, Rose, Yale, Ryman & Lee, P.C. at (713) 651-0111.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 9. WASTE DISPOSAL AGREEMENT (Continued)

On November 10, 2010, an agreement between the District, Camfield and TVH Land Company, L.P. ("TVH") was executed for the construction and maintenance of an access road to the wastewater treatment plant. The District was responsible for 50% of the construction costs for the road improvements and TVH was responsible for 50% of the costs with the understanding that TVH's share included Camfield's portion of the costs. Construction of the access road was completed in 2012 for a total cost of \$227,336. The District is responsible for road maintenance and then the costs are to be shared among the parties as follows: the District-50%, TVH-45.84% and Camfield-4.16%. The term of this agreement is 25 years.

NOTE 10. STRATEGIC PARTNERSHIP AGREEMENT

Effective July 11, 2006, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and the Act, the City shall annex a tract of land defined as the "Tract" for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Tract within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District.

All taxable property within the District shall not be liable for any present or future debts of the City, and current and future taxes levied by the City shall not be levied on taxable property within the District. Upon the limited-purpose annexation of the Tract, the City's municipal courts shall have jurisdiction to adjudicate criminal cases filed under the Planning, Zoning, Health and Safety Ordinances and State laws. Provisions of the Regulatory Plan adopted by the City will be applicable to the District and the Tract of land within the District. The District's assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period of this agreement.

After the Tract is annexed for limited purposes by the City, the qualified voters of the Tract may vote in City elections pursuant to Local Government Code. The City is responsible for notifying the voters within the Tract.

The City imposes a Sales and Use Tax within the boundaries of the Tract upon the limited-purpose annexation of the Tract beginning October 1, 2006. The Sales and Use Tax is imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City agreed to pay to the District an amount equal to one-half of all Sales and Use Tax receipts generated within the boundaries of the Tract. The City agreed to deliver to the District its share of the sales tax

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10. STRATEGIC PARTNERSHIP AGREEMENT (Continued)

receipts within 30 days of the City receiving the funds from the State Comptroller's office. During the current fiscal year, the District recorded sales tax receipts of \$87,860 of which \$21,713 was recorded as receivable at the end of the year.

The City agreed that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of the Agreement. The term of the Agreement is 30 years from the effective date of the agreement.

The City and the District entered into a First Amended and Restated Strategic Partnership Agreement effective December 13, 2010, which supersedes and replaces the original Strategic Partnership Agreement and adds various tracts to the original area annexed for limited purposes.

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three fiscal years.

NOTE 12. INTERFUND PAYABLES AND RECEIVABLES

The General Fund owes the Debt Service Fund (Tax Account) \$9,951 for an over transfer of maintenance tax collections.

The General Fund owes the Special Revenue Fund \$29,971 for its share of Wastewater Treatment Plant operating costs.

NOTE 13. BOND SALE

On April 16, 2015, the District issued its \$3,505,000 Series 2015 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds. Proceeds from the bond sale will be used to fund the following District projects: supplemental disinfection system for water plant no. 1, water well rehabilitation at water plant no. 2, replacement of emergency generator at water plant no. 2, electronic water meters, water metering improvements at water plant no. 1, variable frequency drives for wastewater treatment plant blowers, conversion from coarse air diffusers to fine air diffusers, rehabilitation of the four lift stations, variable frequency drives for lift stations; and pay for bond issuance costs.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 13. BOND SALE (Continued)

On January 15, 2015, the Commission approved the change of scope and use of surplus funds of \$328,675 to reduce the bond issue requirement.

NOTE 14. PRIOR PERIOD ADJUSTMENT

The government-wide financial statements were adjusted to better reflect accounting standards pertaining to deferred charges on refunding bonds issued in prior years. The effect of this adjustment is as follows:

Net Position - October 1, 2014	\$ (490,873)
Effect of Adjustment	<u>106,733</u>
Net Position - October 1, 2014, As Adjusted	<u><u>\$ (384,140)</u></u>

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2015

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 864,000	\$ 915,700	\$ 51,700
Sales Tax Receipts	70,000	87,860	17,860
Water Service	915,000	882,990	(32,010)
Wastewater Service	715,705	743,869	28,164
Penalty and Interest	30,000	66,057	36,057
Tap Connection and Inspection Fees	4,500	49,849	45,349
Investment Revenues	8,000	7,462	(538)
Miscellaneous Revenues	<u>7,500</u>	<u>15,704</u>	<u>8,204</u>
TOTAL REVENUES	\$ 2,614,705	\$ 2,769,491	\$ 154,786
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 275,000	\$ 257,058	\$ 17,942
Contracted Services	690,600	663,929	26,671
Purchased Water Service	465,000	513,426	(48,426)
Purchased Wastewater Service	568,973	456,328	112,645
Utilities	55,000	43,443	11,557
Repairs and Maintenance	280,000	362,117	(82,117)
Other	173,565	209,821	(36,256)
Debt Service:			
Bond Issuance Costs	<u> </u>	<u>1,949</u>	<u>(1,949)</u>
TOTAL EXPENDITURES	\$ 2,508,138	\$ 2,508,071	\$ 67
NET CHANGE IN FUND BALANCE	\$ 106,567	\$ 261,420	\$ 154,853
FUND BALANCE - OCTOBER 1, 2014	<u>1,982,638</u>	<u>1,982,638</u>	<u> </u>
FUND BALANCE - SEPTEMBER 30, 2015	<u><u>\$ 2,089,205</u></u>	<u><u>\$ 2,244,058</u></u>	<u><u>\$ 154,853</u></u>

The accompanying independent auditor's report.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Wastewater Service	\$ 593,925	\$ 478,253	\$ (115,672)
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 20,750	\$ 7,387	\$ 13,363
Contracted Services	60,500	49,818	10,682
Utilities	62,000	69,522	(7,522)
Repairs and Maintenance	230,000	157,367	72,633
Other	<u>220,675</u>	<u>194,159</u>	<u>26,516</u>
TOTAL EXPENDITURES	<u>\$ 593,925</u>	<u>\$ 478,253</u>	<u>\$ 115,672</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ -0-	\$ -0-
FUND BALANCE - OCTOBER 1, 2014	_____	_____	_____
FUND BALANCE - SEPTEMBER 30, 2015	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

The accompanying independent auditor's report.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2015

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> X </u>	Retail Water	_____	Wholesale Water	_____	Drainage
<u> X </u>	Retail Wastewater	_____	Wholesale Wastewater	_____	Irrigation
_____	Parks/Recreation	_____	Fire Protection	<u> X </u>	Security
<u> X </u>	Solid Waste/Garbage	_____	Flood Control	_____	Roads
_____	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> X </u>	Other (specify): _____				
_____	_____				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order effective April 24, 2015.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 25.58	5,000	N	\$ 3.92 \$ 4.23 \$ 4.75 \$ 5.27	5,001 to 10,000 10,001 to 20,000 20,001 to 25,000 25,001 and up
WASTEWATER:	\$ 32.50	10,000	N	\$ 1.25 \$ 1.75	10,001 to 20,000 20,001 and up

SURCHARGE:

District employs winter averaging for wastewater usage? _____ X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$45.18 Wastewater: \$32.50 Surcharge: \$ -0- Total: \$77.68

See accompanying independent auditor's report.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>1,663</u>	<u>1,630</u>	x 1.0	<u>1,630</u>
1"	<u>107</u>	<u>106</u>	x 2.5	<u>265</u>
1½"	<u>1</u>	<u>1</u>	x 5.0	<u>5</u>
2"	<u>29</u>	<u>28</u>	x 8.0	<u>224</u>
3"			x 15.0	
4"			x 25.0	
6"	<u>1</u>	<u>1</u>	x 50.0	<u>50</u>
8"	<u>1</u>	<u>1</u>	x 80.0	<u>80</u>
12"	<u>1</u>	<u>1</u>	x 115.0	<u>115</u>
Total Water Connections	<u><u>1,803</u></u>	<u><u>1,768</u></u>		<u><u>2,369</u></u>
Total Wastewater Connections	<u><u>1,797</u></u>	<u><u>1,762</u></u>	x 1.0	<u><u>1,762</u></u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system:	10,718,000	Water Accountability Ratio: 94.6% (Gallons billed and sold/Gallons pumped and purchased)
Gallons purchased:	162,563,000	From: City of Houston
Gallons billed to customers:	156,525,000	
Gallons sold:	7,421,000	To: Camfield Municipal Utility District

See accompanying independent auditor's report.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely Partly Not at all

ETJ's in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

PROFESSIONAL FEES:	
Auditing	\$ 18,000
Engineering	36,234
Legal	<u>202,824</u>
TOTAL PROFESSIONAL FEES	<u>\$ 257,058</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 513,426
Purchased Wastewater Service	<u>456,328</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 969,754</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 18,126
Operations and Billing	<u>96,374</u>
TOTAL CONTRACTED SERVICES	<u>\$ 114,500</u>
UTILITIES:	
Electricity	<u>\$ 43,443</u>
REPAIRS AND MAINTENANCE	<u>\$ 362,117</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 26,050
Dues	565
Election Costs	17,862
Insurance	19,010
Legal Notices	1,057
Office Supplies and Postage	49,867
Payroll Taxes	1,311
Travel and Meetings	7,470
Other	<u>12,683</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 135,875</u>

See accompanying independent auditor's report.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

TAP CONNECTIONS	\$	<u>15,569</u>
SOLID WASTE DISPOSAL	\$	<u>351,973</u>
SECURITY	\$	<u>197,456</u>
OTHER EXPENDITURES:		
Chemicals	\$	15,730
Disconnects		5,730
Laboratory Fees		18,936
Permit Fees		4,044
Inspection Fees		3,467
Regional Water Authority Assessments		3,196
Regulatory Assessment		<u>7,274</u>
TOTAL OTHER EXPENDITURES	\$	<u>58,377</u>
DEBT SERVICE:		
Bond Issuance Costs	\$	<u>1,949</u>
TOTAL EXPENDITURES	\$	<u>2,508,071</u>

See accompanying independent auditor's report.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
INVESTMENTS
SEPTEMBER 30, 2015

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0002	0.0986%	Daily	\$ 4,622	\$
TexSTAR	XXXX2000	0.1143%	Daily	12,363	
Certificate of Deposit	XXXX9335	0.3800%	04/29/16	245,000	393
Certificate of Deposit	XXXX5322	0.5000%	04/28/16	148,674	314
Certificate of Deposit	XXXX7985	0.5000%	02/11/16	246,593	780
TOTAL GENERAL FUND				<u>\$ 657,252</u>	<u>\$ 1,487</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	0.0986%	Daily	\$ 172,053	\$
TexSTAR	XXXX3000	0.1143%	Daily	2,125	
Certificate of Deposit	XXXX2494	0.6000%	09/04/16	245,000	104
Certificate of Deposit	XXXX7251	0.5000%	07/27/16	104,148	100
Certificate of Deposit	XXXX6508	0.5000%	12/17/15	242,097	952
TOTAL DEBT SERVICE FUND				<u>\$ 765,423</u>	<u>\$ 1,156</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0004	0.0986%	Daily	<u>\$ 10,000</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u>\$ 1,432,675</u>	<u>\$ 2,643</u>

See accompanying independent auditor's report.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2014	\$	26,396		\$ 61,456
Adjustments to Beginning				
Balance		<u>(2,232)</u>	\$ 24,164	<u>(5,316)</u> \$ 56,140
Original 2014 Tax Levy	\$	852,970		\$ 1,485,819
Adjustment to 2014 Tax Levy		<u>63,227</u>	<u>916,197</u>	<u>110,136</u> <u>1,595,955</u>
TOTAL TO BE				
ACCOUNTED FOR			\$ 940,361	\$ 1,652,095
TAX COLLECTIONS:				
Prior Years	\$	7,792		\$ 17,540
Current Year		<u>907,908</u>	<u>915,700</u>	<u>1,581,517</u> <u>1,599,057</u>
TAXES RECEIVABLE -				
SEPTEMBER 30, 2015			<u>\$ 24,661</u>	<u>\$ 53,038</u>
TAXES RECEIVABLE BY				
YEAR:				
2014			\$ 8,289	\$ 14,438
2013			5,052	10,277
2012			3,286	8,280
2011			2,459	6,196
2010			2,160	5,356
2009			1,874	4,648
2008 and Prior			<u>1,541</u>	<u>3,843</u>
TOTAL			<u>\$ 24,661</u>	<u>\$ 53,038</u>

See accompanying independent auditor's report.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	2014	2013	2012	2011
PROPERTY VALUATIONS:				
Land	\$ 47,216,336	\$ 46,878,987	\$ 39,380,486	\$ 39,786,261
Improvements	209,277,948	178,066,886	173,050,649	174,883,814
Personal Property	90,613,552	43,931,897	38,640,012	30,747,071
Exemptions	(51,809,109)	(28,833,899)	(27,099,335)	(23,276,475)
TOTAL PROPERTY VALUATIONS	\$ 295,298,727	\$ 240,043,871	\$ 223,971,812	\$ 222,140,671
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.54	\$ 0.59	\$ 0.63	\$ 0.63
Maintenance **	0.31	0.29	0.25	0.25
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.85	\$ 0.88	\$ 0.88	\$ 0.88
ADJUSTED TAX LEVY*	\$ 2,512,152	\$ 2,115,438	\$ 1,972,940	\$ 1,958,806
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	99.10 %	99.28 %	99.41 %	99.56 %

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

** Maintenance Tax – Maximum tax rate of \$1.00 per \$100 of assessed valuation approved by voters on November 5, 2013.

See accompanying independent auditor's report.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2015

S E R I E S - 2 0 0 8			
Due During Fiscal Years Ending September 30	Principal Due October 1	Interest Due April 1/ October 1	Total
2016	\$	\$ 54,000	\$ 54,000
2017		54,000	54,000
2018		54,000	54,000
2019		54,000	54,000
2020		54,000	54,000
2021		54,000	54,000
2022		54,000	54,000
2023		54,000	54,000
2024		54,000	54,000
2025		54,000	54,000
2026	660,000	40,800	700,800
2027	690,000	13,800	703,800
2028			
2029			
2030			
	\$ 1,350,000	\$ 594,600	\$ 1,944,600

See accompanying independent auditor's report.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2015

REFUNDING SERIES - 2009

<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due October 1</u>	<u>Interest Due April 1/ October 1</u>	<u>Total</u>
2016	\$ 455,000	\$ 89,900	\$ 544,900
2017	470,000	71,400	541,400
2018	490,000	52,200	542,200
2019	1,060,000	21,200	1,081,200
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
	<u>\$ 2,475,000</u>	<u>\$ 234,700</u>	<u>\$ 2,709,700</u>

See accompanying independent auditor's report.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2015

REFUNDING SERIES - 2011

<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due October 1</u>	<u>Interest Due April 1/ October 1</u>	<u>Total</u>
2016	\$ 70,000	\$ 164,650	\$ 234,650
2017	80,000	162,550	242,550
2018	85,000	160,150	245,150
2019	80,000	157,600	237,600
2020	1,230,000	155,200	1,385,200
2021	1,290,000	106,000	1,396,000
2022	1,360,000	54,400	1,414,400
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
	<u>\$ 4,195,000</u>	<u>\$ 960,550</u>	<u>\$ 5,155,550</u>

See accompanying independent auditor's report.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2015

SERIES - 2014 REFUNDING

<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1/ September 1</u>	<u>Total</u>
2016	\$ 495,000	\$ 146,800	\$ 641,800
2017	500,000	136,850	636,850
2018	510,000	126,750	636,750
2019	5,000	121,588	126,588
2020	5,000	121,462	126,462
2021	5,000	121,338	126,338
2022	5,000	121,212	126,212
2023	1,450,000	97,588	1,547,588
2024	1,520,000	47,424	1,567,424
2025	595,000	10,413	605,413
2026			
2027			
2028			
2029			
2030			
	<u>\$ 5,090,000</u>	<u>\$ 1,051,425</u>	<u>\$ 6,141,425</u>

See accompanying independent auditor's report.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2015

S E R I E S - 2 0 1 5			
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2016	\$	\$ 103,587	\$ 103,587
2017		103,588	103,588
2018		103,587	103,587
2019		103,588	103,588
2020		103,587	103,587
2021		103,588	103,588
2022		103,587	103,587
2023		103,588	103,588
2024		103,588	103,588
2025	225,000	100,775	325,775
2026	175,000	95,556	270,556
2027	200,000	90,150	290,150
2028	925,000	73,275	998,275
2029	950,000	45,150	995,150
2030	<u>1,030,000</u>	<u>15,450</u>	<u>1,045,450</u>
	<u>\$ 3,505,000</u>	<u>\$ 1,352,644</u>	<u>\$ 4,857,644</u>

See accompanying independent auditor's report.

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CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2015

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2016	\$ 1,020,000	\$ 558,937	\$ 1,578,937
2017	1,050,000	528,388	1,578,388
2018	1,085,000	496,687	1,581,687
2019	1,145,000	457,976	1,602,976
2020	1,235,000	434,249	1,669,249
2021	1,295,000	384,926	1,679,926
2022	1,365,000	333,199	1,698,199
2023	1,450,000	255,176	1,705,176
2024	1,520,000	205,012	1,725,012
2025	820,000	165,188	985,188
2026	835,000	136,356	971,356
2027	890,000	103,950	993,950
2028	925,000	73,275	998,275
2029	950,000	45,150	995,150
2030	1,030,000	15,450	1,045,450
	<u>\$ 16,615,000</u>	<u>\$ 4,193,919</u>	<u>\$ 20,808,919</u>

See accompanying independent auditor's report.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Description	Original Bonds Issued	Bonds Outstanding October 1, 2014
Chimney Hill Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2004	\$ 4,740,000	\$ 930,000
Chimney Hill Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2008	1,975,000	1,350,000
Chimney Hill Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2009	3,335,000	2,495,000
Chimney Hill Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2011	4,225,000	4,200,000
Chimney Hill Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2014	5,090,000	5,090,000
Chimney Hill Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2015	<u>3,505,000</u>	
TOTAL	<u>\$ 22,870,000</u>	<u>\$ 14,065,000</u>

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2015</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 930,000	\$ 18,600	\$ -0-	The Bank of New York Mellon Trust Company, N.A. Houston, TX
		54,000	1,350,000	The Bank of New York Mellon Trust Company, N.A. Houston, TX
	20,000	99,275	2,475,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	5,000	164,725	4,195,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		81,355	5,090,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>3,505,000</u>			<u>3,505,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 3,505,000</u>	<u>\$ 955,000</u>	<u>\$ 417,955</u>	<u>\$ 16,615,000</u>	

See accompanying independent auditor's report.

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CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Bond Authority:	<u>Original Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 46,025,000	\$ 16,100,000
Amount Issued	<u>27,905,000</u>	<u>10,355,000</u>
Remaining to be Issued	<u>\$ 18,120,000</u>	<u>\$ 5,745,000</u>
 Debt Service Fund cash, investments and cash with paying agent balances as of September 30, 2015:		 <u>\$ 3,421,957</u>
 Average annual debt service payment (principal and interest) for remaining term of all debt:		 <u>\$ 1,387,261</u>

See Note 3 for interest rate, interest payment dates and maturity dates.

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2015	2014	2013
REVENUES			
Property Taxes	\$ 915,700	\$ 693,726	\$ 560,435
Sales Tax Receipts	87,860	74,367	68,349
Water Service	882,990	847,900	850,564
Wastewater Service	743,869	737,661	732,873
Penalty and Interest	66,057	33,695	32,796
Tap Connection and Inspection Fees	49,849	5,277	263,979
Investment Revenues	7,462	8,229	8,539
Miscellaneous Revenues	15,704	46,280	70,429
TOTAL REVENUES	\$ 2,769,491	\$ 2,447,135	\$ 2,587,964
EXPENDITURES			
Professional Fees	\$ 257,058	\$ 234,063	\$ 131,632
Contracted Services	663,929	644,391	676,325
Purchased Water Service	513,426	458,445	460,979
Purchased Wastewater Service	456,328	449,123	498,945
Utilities	43,443	51,659	49,320
Repairs and Maintenance	362,117	306,688	275,136
Other	209,821	179,122	223,556
Capital Outlay			27,756
Bond Issuance Costs	1,949		
TOTAL EXPENDITURES	\$ 2,508,071	\$ 2,323,491	\$ 2,343,649
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 261,420	\$ 123,644	\$ 244,315
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ - 0 -	\$ 120,050
NET CHANGE IN FUND BALANCE	\$ 261,420	\$ 123,644	\$ 364,365
BEGINNING FUND BALANCE	1,982,638	1,858,994	1,494,629
ENDING FUND BALANCE	\$ 2,244,058	\$ 1,982,638	\$ 1,858,994

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2012	2011	2015	2014	2013	2012	2011
\$ 551,509	\$ 569,615	32.9 %	28.5 %	21.7 %	25.3 %	24.8 %
70,523	64,612	3.2	3.0	2.6	3.2	2.8
749,328	832,393	31.9	34.6	32.9	34.4	36.5
714,471	731,676	26.9	30.1	28.3	32.8	31.9
30,613	29,850	2.4	1.4	1.3	1.4	1.3
9,792	2,550	1.8	0.2	10.2	0.4	0.1
11,103	15,740	0.3	0.3	0.3	0.5	0.7
42,361	43,298	0.6	1.9	2.7	2.0	1.9
<u>\$ 2,179,700</u>	<u>\$ 2,289,734</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 258,392	\$ 177,908	9.3 %	9.6 %	5.1 %	11.9 %	7.8 %
628,506	633,843	24.0	26.3	26.1	28.8	27.7
450,980	458,355	18.5	18.7	17.8	20.7	20.0
441,925	409,505	16.5	18.4	19.3	20.3	17.9
49,443	54,098	1.6	2.1	1.9	2.3	2.4
361,582	390,269	13.1	12.5	10.6	16.6	17.0
140,773	158,792	7.6	7.3	8.6	6.5	6.9
122,148	61,163			1.1	5.6	2.7
		0.1				
<u>\$ 2,453,749</u>	<u>\$ 2,343,933</u>	<u>90.7 %</u>	<u>94.9 %</u>	<u>90.5 %</u>	<u>112.7 %</u>	<u>102.4 %</u>
\$ (274,049)	\$ (54,199)	9.3 %	5.1 %	9.5 %	(12.7) %	(2.4) %
\$ (11,305)	\$ (60,285)					
\$ (285,354)	\$ (114,484)					
<u>1,779,983</u>	<u>1,894,467</u>					
<u>\$ 1,494,629</u>	<u>\$ 1,779,983</u>					

See accompanying independent auditor's report.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2015	2014	2013
REVENUES			
Property Taxes	\$ 1,599,057	\$ 1,414,426	\$ 1,412,117
Penalty and Interest	30,916	25,703	32,466
Investment Revenues	6,626	7,876	9,075
Miscellaneous Revenues	18,521		60
TOTAL REVENUES	\$ 1,655,120	\$ 1,448,005	\$ 1,453,718
EXPENDITURES			
Tax Collection Expenditures	\$ 73,712	\$ 58,302	\$ 60,627
Debt Service Principal	955,000	925,000	905,000
Debt Service Interest and Fees	419,455	590,213	687,995
Payment to Refunded Bond Escrow Agent		102,000	
Bond Issuance Costs		212,791	
TOTAL EXPENDITURES	\$ 1,448,167	\$ 1,888,306	\$ 1,653,622
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 206,953	\$ (440,301)	\$ (199,904)
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$	\$	\$
Refunding Bonds		5,090,000	
Payment to Refunded Bond Escrow Agent		(5,091,076)	
Bond Discount			
Bond Premium		215,290	
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ 214,214	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 206,953	\$ (226,087)	\$ (199,904)
BEGINNING FUND BALANCE	3,212,598	3,438,685	3,638,589
ENDING FUND BALANCE	\$ 3,419,551	\$ 3,212,598	\$ 3,438,685
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,768	1,776	1,752
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,762	1,766	1,757

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2012	2011	2015	2014	2013	2012	2011
\$ 1,389,622	\$ 1,412,835	96.6 %	97.7 %	97.2 %	97.0 %	96.6 %
27,733	26,454	1.9	1.8	2.2	1.9	1.8
15,134	23,460	0.4	0.5	0.6	1.1	1.6
	10	1.1				
<u>\$ 1,432,489</u>	<u>\$ 1,462,759</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 62,126	\$ 63,239	4.5 %	4.0 %	4.2 %	4.3 %	4.3 %
854,000	815,000	57.7	63.9	62.3	59.6	55.7
584,150	712,049	25.3	40.8	47.3	40.8	48.7
			7.0			
			14.7		15.8	
<u>\$ 1,725,947</u>	<u>\$ 1,590,288</u>	<u>87.5 %</u>	<u>130.4 %</u>	<u>113.8 %</u>	<u>120.5 %</u>	<u>108.7 %</u>
<u>\$ (293,458)</u>	<u>\$ (127,529)</u>	<u>12.5 %</u>	<u>(30.4) %</u>	<u>(13.8) %</u>	<u>(20.5) %</u>	<u>(8.7) %</u>
\$	\$ 70,285					
4,225,000						
(4,222,820)						
(52,813)						
<u>273,270</u>						
<u>\$ 222,637</u>	<u>\$ 70,285</u>					
\$ (70,821)	\$ (57,244)					
<u>3,709,410</u>	<u>3,766,654</u>					
<u>\$ 3,638,589</u>	<u>\$ 3,709,410</u>					
<u>1,752</u>	<u>1,742</u>					
<u>1,743</u>	<u>1,733</u>					

See accompanying independent auditor's report.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2015**

District Mailing Address - Chimney Hill Municipal Utility District
c/o Coats, Rose, Yale, Ryman & Lee, P.C.
9 Greenway Plaza, Suite 1100
Houston, TX 77046

District Telephone Number - (713) 651-0111

Board Members	Term of Office * (Elected or Appointed)	Fees of Office for the year ended September 30, 2015	Expense Reimbursements for the year ended September 30, 2015	Title
W. Jay Szinyei	05/13 05/17 (Elected)	\$ 5,400	\$ 1,677	President
Charley L. Lewis	05/15 05/19 (Elected)	\$ 4,950	\$ 879	Vice President
Kimberly R. McNinch	05/13 05/17 (Elected)	\$ 4,350	\$ 383	Assistant Vice President/ Assistant Secretary/ Treasurer/ Assistant Investment Officer
Camille W. Sowell	05/15 05/19 (Elected)	\$ 5,400	\$ 153	Secretary/ Treasurer/ Investment Officer
Thomas Woltz, Sr.	05/13 05/17 (Appointed)	\$ 6,900	\$ 1,756	Assistant Secretary/ Treasurer

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): May 29, 2015.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on July 25, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2015

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2015 District</u>	<u>Fees for the year ended September 30, 2015 Plant</u>	<u>Title</u>
Coats, Rose, Yale, Ryman & Lee, P.C.	09/01/80	\$ 225,155 67,601	\$ 2,887 -0-	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	08/06/87	\$ 18,750	\$ 4,500	Auditor
Myrtle Cruz, Inc.	08/01/85	\$ 23,293	\$ 4,494	Bookkeeper
Larson & Weisinger	02/25/99	\$ 8,720	\$ -0-	Delinquent Tax Attorney
A&S Engineers, Inc.	07/30/99	\$ 152,769	\$ -0-	Engineer
Rathmann & Associates, L.P.	04/09/03	\$ 71,600	\$ -0-	Financial Advisor
Water District Management Company	01/27/89	\$ 562,863	\$ 366,657	Operator
Thomas W. Lee, RTA c/o Assessments of the Southwest	10/01/01	\$ 31,773	\$ -0-	Tax Assessor/ Collector

See accompanying independent auditor's report.

