

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2017**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
Certified Public Accountants



**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT**

**HARRIS COUNTY, TEXAS**

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**SEPTEMBER 30, 2017**



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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, 2017, 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, 2017, 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 the 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

January 30, 2018



**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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, 2017. 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 required and 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 financial statements provide 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 Statement of Net Position includes all the District's assets, liabilities, and, if applicable, 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 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, 2017**

**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 of resources exceeded liabilities by \$1,319,644 as of September 30, 2017.

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, 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	Summary of Changes in the Statement of Net Position		
	2017	2016	Change Positive (Negative)
Current and Other Assets	\$ 8,179,528	\$ 9,272,279	\$ (1,092,751)
Capital Assets (Net of Accumulated Depreciation)	8,627,359	8,101,207	526,152
Total Assets	\$ 16,806,887	\$ 17,373,486	\$ (566,599)
Deferred Outflows of Resources	\$ 77,161	\$ 101,461	\$ (24,300)
Long-Term Liabilities	\$ 13,674,186	\$ 14,803,862	\$ 1,129,676
Other Liabilities	1,890,218	2,066,858	176,640
Total Liabilities	\$ 15,564,404	\$ 16,870,720	\$ 1,306,316
Net Position:			
Net Investment in Capital Assets	\$ (4,810,087)	\$ (5,437,299)	\$ 627,212
Restricted	3,160,696	3,318,377	(157,681)
Unrestricted	2,969,035	2,723,149	245,886
Total Net Position	\$ 1,319,644	\$ 604,227	\$ 715,417

The following table provides a summary of the District's operations for the years ended September 30, 2017, and September 30, 2016.

	Summary of Changes in the Statement of Activities		
	2017	2016	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,614,087	\$ 2,847,487	\$ (233,400)
Sales Tax Receipts	79,465	77,407	2,058
Charges for Services	1,847,607	1,796,055	51,552
Other Revenues	57,888	39,611	18,277
Total Revenues	\$ 4,599,047	\$ 4,760,560	\$ (161,513)
Expenses for Services	(3,883,630)	(4,430,173)	546,543
Change in Net Position	\$ 715,417	\$ 330,387	\$ 385,030
Net Position, Beginning of Year	604,227	273,840	330,387
Net Position, End of Year	\$ 1,319,644	\$ 604,227	\$ 715,417

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's combined fund balances as of the fiscal year ended September 30, 2017, were \$7,460,426, a decrease of \$908,464 from the prior year.

The General Fund fund balance increased by \$248,225, primarily due to service revenues exceeding operating expenditures during the current fiscal year.

The Debt Service Fund fund balance decreased by \$194,515, primarily due to a timing difference between tax collections and debt service payments.

The Capital Projects Fund fund balance decreased by \$962,174, primarily due to the use of bond proceeds received in a prior fiscal year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$71,145 more than budgeted revenues. Actual expenditures were \$81,436 more than budgeted expenditures.

**CAPITAL ASSETS**

Capital assets as of September 30, 2017, total \$8,627,359 (net of accumulated depreciation) and include land, buildings and equipment as well as the water and wastewater systems. Completed projects included Wastewater Treatment Plant clarifier recoating, Lift Station electrical improvements and rehabilitations and generator at Water Plant No. 2. Construction in progress includes disinfection system at Water Plant No. 1, SCADA system at Water Plants, Phase I, Lift Station rehabilitations and disinfection system and Water Plant No. 1.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2017	2016	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 462,247	\$ 462,247	\$
Construction in Progress	270,219	526,843	(256,624)
Capital Assets, Net of Accumulated Depreciation:			
Depreciation:			
Water System	610,822	633,482	(22,660)
Wastewater System	2,607,516	1,862,846	744,670
Wastewater Treatment Plant	2,932,288	3,027,042	(94,754)
Water Plants	1,727,683	1,555,535	172,148
Other	16,584	33,212	(16,628)
Total Net Capital Assets	<u>\$ 8,627,359</u>	<u>\$ 8,101,207</u>	<u>\$ 526,152</u>

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, 2017**

**LONG-TERM DEBT ACTIVITY**

At the end of the current fiscal year, the District had total long-term debt payable of \$14,545,000.

The changes in the debt position of the District during the fiscal year ended September 30, 2017, are summarized as follows:

Bond Debt Payable, October 1, 2016	\$ 15,595,000
Less: Bond Principal Paid	<u>1,050,000</u>
Bond Debt Payable, September 30, 2017	<u>\$ 14,545,000</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, 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, 2017**

	General Fund	Special Revenue Fund
<b>ASSETS</b>		
Cash	\$ 331,039	\$ 127,510
Investments	2,760,120	
Cash with Paying Agent		
Receivables:		
Property Taxes	37,021	
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$2,000)	158,247	
Accrued Interest	2,294	
Due from Other Funds		68,135
Prepaid Costs	39,518	
Due from Other Governments	43,277	4,982
Advance for Regional Wastewater Treatment Plant Operations	149,510	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 3,521,026</b>	<b>\$ 200,627</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 3,521,026</b>	<b>\$ 200,627</b>

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>
\$ 55,050	\$ 156,961	\$ 670,560	\$	\$ 670,560
1,773,040	1,215,652	5,748,812		5,748,812
1,340,794		1,340,794		1,340,794
58,817		95,838		95,838
			42,525	42,525
		158,247		158,247
1,366		3,660		3,660
23,127		91,262	(91,262)	
		39,518	31,315	70,833
		48,259		48,259
		149,510	(149,510)	
			462,247	462,247
			270,219	270,219
			7,894,893	7,894,893
<u>\$ 3,252,194</u>	<u>\$ 1,372,613</u>	<u>\$ 8,346,460</u>	<u>\$ 8,460,427</u>	<u>\$ 16,806,887</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 77,161</u>	<u>\$ 77,161</u>
<u><u>\$ 3,252,194</u></u>	<u><u>\$ 1,372,613</u></u>	<u><u>\$ 8,346,460</u></u>	<u><u>\$ 8,537,588</u></u>	<u><u>\$ 16,884,048</u></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, 2017**

	General Fund	Special Revenue Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 190,248	\$ 44,627
Accrued Interest Payable		
Due to Other Governments	49,465	
Due to Developers	25,091	
Due to Other Funds	91,262	
Due to Taxpayers		
Security Deposits	227,240	
Advance from Participants		156,000
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
<b>TOTAL LIABILITIES</b>	<b>\$ 583,306</b>	<b>\$ 200,627</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 37,021	\$ -0-
<b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 39,518	\$
Advance for Regional Wastewater Treatment Operations	149,510	
Restricted for Authorized Construction:		
Bond Proceeds		
Net Investment Revenues		
Restricted for Debt Service		
Unassigned	2,711,671	
<b>TOTAL FUND BALANCES</b>	<b>\$ 2,900,699</b>	<b>\$ - 0 -</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 3,521,026</b>	<b>\$ 200,627</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for:		
Debt Service		
Capital Projects		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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>
\$	\$ 3,323	\$ 238,198	\$	\$ 238,198
			255,794	255,794
		49,465		49,465
		25,091		25,091
		91,262	(91,262)	
2,940		2,940		2,940
		227,240		227,240
		156,000	(149,510)	6,490
			1,085,000	1,085,000
			13,674,186	13,674,186
<u>\$ 2,940</u>	<u>\$ 3,323</u>	<u>\$ 790,196</u>	<u>\$ 14,774,208</u>	<u>\$ 15,564,404</u>
<u>\$ 58,817</u>	<u>\$ -0-</u>	<u>\$ 95,838</u>	<u>\$ (95,838)</u>	<u>\$ -0-</u>
\$	\$	\$ 39,518	\$ (39,518)	\$
		149,510	(149,510)	
	1,244,579	1,244,579	(1,244,579)	
	124,711	124,711	(124,711)	
3,190,437		3,190,437	(3,190,437)	
		2,711,671	(2,711,671)	
<u>\$ 3,190,437</u>	<u>\$ 1,369,290</u>	<u>\$ 7,460,426</u>	<u>\$ (7,460,426)</u>	<u>\$ - 0 -</u>
<u>\$ 3,252,194</u>	<u>\$ 1,372,613</u>	<u>\$ 8,346,460</u>		
			\$ (4,810,087)	\$ (4,810,087)
			3,035,985	3,035,985
			124,711	124,711
			2,969,035	2,969,035
			<u>\$ 1,319,644</u>	<u>\$ 1,319,644</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, 2017**

Total Fund Balances - Governmental Funds \$ 7,460,426

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. 31,315

The difference between the net carrying amount of refunded bonds and the reacquisition price 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. 77,161

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 8,627,359

Deferred inflows of resources related to property tax revenues and penalty and interest receivables on delinquent taxes for the 2016 and prior tax levies became part of recognized revenues in the governmental activities of the District. 138,363

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	\$ (255,794)	
Bonds Payable Within One Year	(1,085,000)	
Bonds Payable After One Year	<u>(13,674,186)</u>	<u>(15,014,980)</u>

Total Net Position - Governmental Activities \$ 1,319,644

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, 2017**

	General Fund	Special Revenue Fund
<b>REVENUES</b>		
Property Taxes	\$ 1,183,696	\$
Sales Tax Receipts	79,465	
Water Service	968,464	
Wastewater Service	734,280	629,074
Penalty and Interest	56,309	
Tap Connection and Inspection Fees	1,200	
Investment Revenues	15,762	182
Miscellaneous Revenues	19,920	
	<u>\$ 3,059,096</u>	<u>\$ 629,256</u>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 240,664	\$ 18,920
Contracted Services	664,015	66,310
Purchased Water Service	533,422	
Purchased Wastewater Service	576,432	
Utilities	35,459	56,405
Repairs and Maintenance	497,414	150,308
Depreciation		
Other	263,927	211,800
Capital Outlay	30,928	125,513
Debt Service:		
Bond Principal		
Bond Interest		
	<u>\$ 2,842,261</u>	<u>\$ 629,256</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 216,835</u>	<u>\$ -0-</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In(Out)	\$ 31,390	\$ -0-
<b>NET CHANGE IN FUND BALANCES</b>	\$ 248,225	\$ -0-
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - OCTOBER 1, 2016</b>	<u>2,652,474</u>	<u>-0-</u>
<b>FUND BALANCES/NET POSITION - SEPTEMBER 30, 2017</b>	<u>\$ 2,900,699</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
\$ 1,415,251	\$	\$ 2,598,947	\$ 15,140	\$ 2,614,087
		79,465		79,465
		968,464		968,464
		1,363,354	(576,432)	786,922
27,476		83,785	7,236	91,021
		1,200		1,200
14,579	7,445	37,968		37,968
		19,920		19,920
<u>\$ 1,457,306</u>	<u>\$ 7,445</u>	<u>\$ 5,153,103</u>	<u>\$ (554,056)</u>	<u>\$ 4,599,047</u>
\$ 16,255	\$ 11,732	\$ 287,571	\$	\$ 287,571
54,550		784,875		784,875
		533,422		533,422
		576,432	(576,432)	
		91,864		91,864
		647,722		647,722
			481,805	481,805
3,828	303	479,858		479,858
	926,194	1,082,635	(1,007,957)	74,678
1,050,000		1,050,000	(1,050,000)	
527,188		527,188	(25,353)	501,835
<u>\$ 1,651,821</u>	<u>\$ 938,229</u>	<u>\$ 6,061,567</u>	<u>\$ (2,177,937)</u>	<u>\$ 3,883,630</u>
\$ (194,515)	\$ (930,784)	\$ (908,464)	\$ 908,464	\$ -0-
\$ -0-	\$ (31,390)	\$ -0-	\$ -0-	\$ -0-
\$ (194,515)	\$ (962,174)	\$ (908,464)	\$ 908,464	\$
			715,417	715,417
<u>3,384,952</u>	<u>2,331,464</u>	<u>8,368,890</u>	<u>(7,764,663)</u>	<u>604,227</u>
<u>\$ 3,190,437</u>	<u>\$ 1,369,290</u>	<u>\$ 7,460,426</u>	<u>\$ (6,140,782)</u>	<u>\$ 1,319,644</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, 2017**

Net Change in Fund Balances - Governmental Funds	\$ (908,464)
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.	15,140
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.	7,236
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.	(481,805)
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.	1,007,957
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.	1,050,000
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.	25,353
Change in Net Position - Governmental Activities	<u>\$ 715,417</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, 2017**

**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 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.

The District has entered into an agreement with Camfield Municipal Utility District for wastewater disposal. The District has oversight responsibility for the wastewater treatment plant. Additional disclosure concerning this agreement is provided in Note 9.

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, 2017**

**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, 2017**

**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, 2017**

**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 inflows of resources related to property 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, 2017**

**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 budgets were 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 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, 2017**

**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**

	Series 2008	Refunding Series 2009
Amount Outstanding – September 30, 2017	\$1,350,000	\$1,550,000
Interest Rates	4.00%	4.00%
Maturity Dates – Beginning/Ending	October 1, 2025/2026	October 1, 2017/2018
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, 2017**

**NOTE 3. LONG-TERM DEBT (Continued)**

	Refunding Series 2011	Refunding Series 2014	Series 2015
Amount Outstanding - September 30, 2017	\$4,045,000	\$4,095,000	\$3,505,000
Interest Rates	3.00% - 4.00%	2.00% - 3.50%	2.50% - 3.00%
Maturity Dates – Beginning/Ending	October 1, 2017/2021	October 1, 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, 2017:

	October 1, 2016	Additions	Retirements	September 30, 2017
Bonds Payable	\$ 15,595,000	\$	\$ 1,050,000	\$ 14,545,000
Unamortized Discounts	(51,440)		(4,458)	(46,982)
Unamortized Premiums	310,302		49,134	261,168
Bonds Payable, Net	<u>\$ 15,853,862</u>	<u>\$ -0-</u>	<u>\$ 1,094,676</u>	<u>\$ 14,759,186</u>
		Amount Due Within One Year		\$ 1,085,000
		Amount Due After One Year		13,674,186
		Bonds Payable, Net		<u>\$ 14,759,186</u>

As of September 30, 2017, 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, 2017, the debt service requirements on the bonds outstanding were as follows:

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 3. LONG-TERM DEBT (Continued)**

Fiscal Year	Principal	Interest	Total
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
2023-2027	5,515,000	865,682	6,380,682
2028-2030	2,905,000	133,875	3,038,875
	<u>\$ 14,545,000</u>	<u>\$ 3,106,594</u>	<u>\$ 17,651,594</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, 2017, the District levied an ad valorem debt service tax at the rate of \$0.43 per \$100 of assessed valuation, which resulted in a tax levy of \$1,455,110 on the adjusted taxable valuation of \$338,397,751 for the 2016 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, 2017**

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

- B. 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 5<sup>th</sup>-year anniversary of each issue.

In compliance with this covenant, the 5<sup>th</sup> year arbitrage rebate reports were completed for the Series 2009 Refunding Bonds and the Series 2011 Refunding Bonds. The reports reflect that the District did not have a rebate obligation to the federal government on these bond issues.

- C. 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.

**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 \$1,995,282 and the bank balance was \$2,073,910. Of the bank balance, \$1,464,952 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.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2017, as listed below:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 331,039	\$ 735,000	\$ 1,066,039
SPECIAL REVENUE FUND	127,510		127,510
DEBT SERVICE FUND	55,050	589,722	644,772
CAPITAL PROJECTS FUND	<u>156,961</u>		<u>156,961</u>
TOTAL DEPOSITS	<u>\$ 670,560</u>	<u>\$ 1,324,722</u>	<u>\$ 1,995,282</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 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. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all its portfolio assets at

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

The District invests in the Texas Short Term Asset Reserve Program (“TexSTAR”), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and FirstSouthwest, a Division of Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

As of September 30, 2017, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years		
		Less Than 1	1-5	6-10
<u>GENERAL FUND</u>				
TexPool	\$ 4,668	\$ 4,668	\$	\$
TexSTAR	2,020,452	2,020,452		
Certificates of Deposit	735,000	735,000		
<u>DEBT SERVICE FUND</u>				
TexPool	173,748	173,748		
TexSTAR	1,009,570	1,009,570		
Certificates of Deposit	589,722	589,722		
<u>CAPITAL PROJECTS FUND</u>				
TexPool	1,215,652	1,215,652		
<b>TOTAL INVESTMENTS</b>	<u>\$ 5,748,812</u>	<u>\$ 5,748,812</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2017, 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, 2017**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2017:

	October 1, 2016	Increases	Decreases	September 30, 2017
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 462,247	\$	\$	\$ 462,247
Construction in Progress	<u>526,843</u>	<u>1,007,957</u>	<u>1,264,581</u>	<u>270,219</u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 989,090</u>	<u>\$ 1,007,957</u>	<u>\$ 1,264,581</u>	<u>\$ 732,466</u>
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 1,642,434	\$	\$	\$ 1,642,434
Wastewater System	3,926,088	875,617		4,801,705
Wastewater Treatment Plant	5,956,324	89,309		6,045,633
Water Plants	3,390,708	299,655		3,690,363
Other	<u>83,142</u>			<u>83,142</u>
<b>Total Capital Assets Cost Subject to Depreciation</b>	<u>\$ 14,998,696</u>	<u>\$ 1,264,581</u>	<u>\$ - 0 -</u>	<u>\$ 16,263,277</u>
<b>Accumulated Depreciation</b>				
Water System	\$ 1,008,952	\$ 22,660	\$	\$ 1,031,612
Wastewater System	2,063,242	130,947		2,194,189
Wastewater Treatment Plant	2,929,282	184,063		3,113,345
Water Plants	1,835,173	127,507		1,962,680
Other	<u>49,930</u>	<u>16,628</u>		<u>66,558</u>
<b>Total Accumulated Depreciation</b>	<u>\$ 7,886,579</u>	<u>\$ 481,805</u>	<u>\$ - 0 -</u>	<u>\$ 8,368,384</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 7,112,117</u>	<u>\$ 782,776</u>	<u>\$ - 0 -</u>	<u>\$ 7,894,893</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 8,101,207</u>	<u>\$ 1,790,733</u>	<u>\$ 1,264,581</u>	<u>\$ 8,627,359</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, 2017, the District levied an ad valorem maintenance tax at the rate of \$0.36 per \$100 of assessed valuation which resulted in a tax levy of \$1,218,232 on the adjusted taxable valuation of \$338,397,751 for the 2016 tax year.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**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 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 \$105,435 for water supplied to Camfield. At September 30, 2017, Camfield owed the District \$24,052 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, 2017**

**NOTE 8. WATER SUPPLY AGREEMENTS (Continued)**

Spencer Road Public Utility District (Continued)

a bill to the other on or before the 19<sup>th</sup> 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, 2017, the rate increased to \$2.98 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 \$0.739. 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 \$533,422 for water purchased from COH.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**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, 2017**

**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 monthly. The monthly billing to each district is based on the amount of flow to the plant from each district. An operating reserve of \$156,000 has been established by the districts, \$149,510 advanced by the District and \$6,490 advanced by Camfield. During the current year the District recorded expenditures of \$576,432 for purchased wastewater service. Separate financial statements on the wastewater treatment plant can be obtained by contacting Coats Rose, P.C. at (713) 651-0111.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**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, 2017**

**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 \$79,465 of which \$19,255 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 BALANCES AND TRANSFERS**

The General Fund owes the Debt Service Fund (Tax Account) \$23,127 for an over transfer of maintenance tax collections.

The General Fund owes the Special Revenue Fund \$68,135 for its share of Wastewater Treatment Plant operating costs.

During the current fiscal year, the District transferred \$31,390 from the Capital Projects Fund to the General Fund to reimburse for engineering costs related to the fine air preliminary report paid in a prior fiscal year.

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**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2017**



**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, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>REVENUES</b>			
Property Taxes	\$ 1,218,451	\$ 1,183,696	\$ (34,755)
Sales Tax Receipts	70,000	79,465	9,465
Water Service	920,000	968,464	48,464
Wastewater Service	710,000	734,280	24,280
Penalty and Interest	30,000	56,309	26,309
Tap Connection and Inspection Fees	2,000	1,200	(800)
Investment Revenues	7,500	15,762	8,262
Miscellaneous Revenues	<u>30,000</u>	<u>19,920</u>	<u>(10,080)</u>
<b>TOTAL REVENUES</b>	<u>\$ 2,987,951</u>	<u>\$ 3,059,096</u>	<u>\$ 71,145</u>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 315,000	\$ 240,664	\$ 74,336
Contracted Services	690,750	664,015	26,735
Purchased Water Service	535,800	533,422	2,378
Purchased Wastewater Service	510,595	576,432	(65,837)
Utilities	50,000	35,459	14,541
Repairs and Maintenance	450,000	497,414	(47,414)
Other	208,680	263,927	(55,247)
Capital Outlay	<u>                    </u>	<u>30,928</u>	<u>(30,928)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,760,825</u>	<u>\$ 2,842,261</u>	<u>\$ (81,436)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 227,126</u>	<u>\$ 216,835</u>	<u>\$ (10,291)</u>
<b>OTHER FINANCING SOURCES(USES)</b>			
Transfers In (Out)	<u>                    </u>	<u>31,390</u>	<u>31,390</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 227,126	\$ 248,225	\$ 21,099
<b>FUND BALANCE - OCTOBER 1, 2016</b>	<u>2,652,474</u>	<u>2,652,474</u>	<u>                    </u>
<b>FUND BALANCE - SEPTEMBER 30, 2017</b>	<u>\$ 2,879,600</u>	<u>\$ 2,900,699</u>	<u>\$ 21,099</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, 2017**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Wastewater Service	\$ 624,000	\$ 629,074	\$ 5,074
Investment Revenues		<u>182</u>	<u>182</u>
<b>TOTAL REVENUES</b>	<u>\$ 624,000</u>	<u>\$ 629,256</u>	<u>\$ 5,256</u>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 55,000	\$ 18,920	\$ 36,080
Contracted Services	49,000	66,310	(17,310)
Utilities	70,000	56,405	13,595
Repairs and Maintenance	190,000	150,308	39,692
Other	260,000	211,800	48,200
Capital Outlay		<u>125,513</u>	<u>(125,513)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 624,000</u>	<u>\$ 629,256</u>	<u>\$ (5,256)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ -0-	\$ -0-	\$ -0-
<b>FUND BALANCE - OCTOBER 1, 2016</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>FUND BALANCE - SEPTEMBER 30, 2017</b>	<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, 2017**



**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**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 September 22, 2017.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 26.45	5,000	N	\$ 4.05 \$ 4.37 \$ 4.91 \$ 5.45	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: \$46.70 Wastewater: \$32.50 Surcharge: \$ -0- Total: \$79.20

See accompanying independent auditor's report.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**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	<u>1</u>	<u>1</u>	x 1.0	<u>1</u>
≤ <sup>3</sup> / <sub>4</sub> "	<u>1,653</u>	<u>1,641</u>	x 1.0	<u>1,641</u>
1"	<u>117</u>	<u>117</u>	x 2.5	<u>293</u>
1½"	<u>2</u>	<u>2</u>	x 5.0	<u>10</u>
2"	<u>31</u>	<u>28</u>	x 8.0	<u>224</u>
3"	<u>          </u>	<u>          </u>	x 15.0	<u>          </u>
4"	<u>          </u>	<u>          </u>	x 25.0	<u>          </u>
6"	<u>2</u>	<u>2</u>	x 50.0	<u>100</u>
8"	<u>2</u>	<u>2</u>	x 80.0	<u>160</u>
12"	<u>          </u>	<u>          </u>	x 115.0	<u>          </u>
Total Water Connections	<u><u>1,808</u></u>	<u><u>1,793</u></u>		<u><u>2,429</u></u>
Total Wastewater Connections	<u><u>1,780</u></u>	<u><u>1,795</u></u>	x 1.0	<u><u>1,795</u></u>

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

Gallons pumped into system:	-0-	Water Accountability Ratio: 98.4% (Gallons billed and sold/Gallons pumped and purchased)
Gallons purchased:	172,714,000	From: City of Houston
Gallons billed to customers:	158,157,000	
Gallons sold:	11,808,000	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, 2017**

**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, 2017**

PROFESSIONAL FEES:	
Auditing	\$ 17,800
Engineering	66,004
Legal	<u>156,860</u>
TOTAL PROFESSIONAL FEES	<u>\$ 240,664</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 533,422
Purchased Wastewater Service	<u>576,432</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 1,109,854</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 17,980
Operations and Billing	<u>87,564</u>
TOTAL CONTRACTED SERVICES	<u>\$ 105,544</u>
UTILITIES:	
Electricity	<u>\$ 35,459</u>
REPAIRS AND MAINTENANCE	<u>\$ 497,414</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 30,900
Dues	580
Election Costs	1,986
Insurance	17,064
Legal Notices	7,553
Office Supplies and Postage	97,692
Payroll Taxes	1,817
Travel and Meetings	5,635
Other	<u>24,030</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 187,257</u>

See accompanying independent auditor's report.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

CAPITAL OUTLAY:	
Capitalized Assets	\$ 30,928
Expenditures Not Capitalized	
	<hr/>
TOTAL CAPITAL OUTLAY	<u>\$ 30,928</u>
SOLID WASTE DISPOSAL	<u>\$ 352,579</u>
SECURITY	<u>\$ 205,892</u>
OTHER EXPENDITURES:	
Chemicals	\$ 28,116
Disconnects	10,709
Laboratory Fees	21,466
Permit Fees	6,310
Inspection Fees	2,600
Regulatory Assessment	7,469
	<hr/>
TOTAL OTHER EXPENDITURES	<u>\$ 76,670</u>
TOTAL EXPENDITURES	<u><u>\$ 2,842,261</u></u>

See accompanying independent auditor's report.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT**  
**INVESTMENTS**  
**SEPTEMBER 30, 2017**

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	1.0270%	Daily	\$ 4,668	\$
TexSTAR	XXXX2000	1.0317%	Daily	2,020,452	
Certificate of Deposit	XXXX7271	1.2700%	07/23/18	245,000	588
Certificate of Deposit	XXXX7985	0.5000%	02/11/18	245,000	775
Certificate of Deposit	XXXX7234	0.9000%	04/29/18	245,000	931
TOTAL GENERAL FUND				<u>\$ 2,760,120</u>	<u>\$ 2,294</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	1.0270%	Daily	\$ 173,748	\$
TexSTAR	XXXX3000	1.0317%	Daily	1,009,570	
Certificate of Deposit	XXXX6508	0.5000%	12/16/17	244,521	965
Certificate of Deposit	XXXX0573	1.3500%	09/08/18	240,000	195
Certificate of Deposit	XXXX7251	1.1000%	07/27/18	105,201	206
TOTAL DEBT SERVICE FUND				<u>\$ 1,773,040</u>	<u>\$ 1,366</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0004	1.0270%	Daily	\$ 1,215,652	\$ -0-
TOTAL - ALL FUNDS				<u>\$ 5,748,812</u>	<u>\$ 3,660</u>

See accompanying independent auditor's report.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2016	\$	28,737		\$ 51,961
Adjustments to Beginning				
Balance		<u>(26,252)</u>	\$ 2,485	<u>(33,003)</u> \$ 18,958
Original 2016 Tax Levy	\$	1,198,682		\$ 1,431,759
Adjustment to 2016 Tax Levy		<u>19,550</u>	<u>1,218,232</u>	<u>23,351</u> <u>1,455,110</u>
TOTAL TO BE				
ACCOUNTED FOR			\$ 1,220,717	\$ 1,474,068
TAX COLLECTIONS:				
Prior Years	\$	(17,563)		\$ (19,586)
Current Year		<u>1,201,259</u>	<u>1,183,696</u>	<u>1,434,837</u> <u>1,415,251</u>
TAXES RECEIVABLE -				
SEPTEMBER 30, 2017			<u>\$ 37,021</u>	<u>\$ 58,817</u>
TAXES RECEIVABLE BY				
YEAR:				
2016			\$ 16,973	\$ 20,273
2015			5,609	7,052
2014			4,020	7,003
2013			3,451	7,021
2012			2,533	6,382
2011			1,885	4,750
2010 and Prior			<u>2,550</u>	<u>6,336</u>
TOTAL			<u>\$ 37,021</u>	<u>\$ 58,817</u>

See accompanying independent auditor's report.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	2016	2015	2014	2013
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 71,470,823	\$ 60,090,812	\$ 47,216,336	\$ 46,878,987
Improvements	258,404,919	242,047,097	209,277,948	178,066,886
Personal Property	74,927,290	104,530,615	90,613,552	43,931,897
Exemptions	(66,405,281)	(44,665,332)	(51,809,109)	(28,833,899)
<b>TOTAL PROPERTY VALUATIONS</b>	<b>\$ 338,397,751</b>	<b>\$ 362,003,192</b>	<b>\$ 295,298,727</b>	<b>\$ 240,043,871</b>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.43	\$ 0.44	\$ 0.54	\$ 0.59
Maintenance **	0.36	0.35	0.31	0.29
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<b>\$ 0.79</b>	<b>\$ 0.79</b>	<b>\$ 0.85</b>	<b>\$ 0.88</b>
<b>ADJUSTED TAX LEVY*</b>	<b>\$ 2,673,342</b>	<b>\$ 2,862,089</b>	<b>\$ 2,512,152</b>	<b>\$ 2,115,438</b>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<b>98.61 %</b>	<b>99.56 %</b>	<b>99.56 %</b>	<b>99.50 %</b>

\* 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, 2017**

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
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	\$ 486,600	\$ 1,836,600

See accompanying independent auditor's report.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2017**

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>
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>\$ 1,550,000</u>	<u>\$ 73,400</u>	<u>\$ 1,623,400</u>

See accompanying independent auditor's report.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2017**

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>
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>\$ 4,045,000</u>	<u>\$ 633,350</u>	<u>\$ 4,678,350</u>

See accompanying independent auditor's report.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2017**

REFUNDING SERIES - 2014

<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>
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>\$ 4,095,000</u>	<u>\$ 767,775</u>	<u>\$ 4,862,775</u>

See accompanying independent auditor's report.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2017**

S E R I E S - 2 0 1 5			
Due During Fiscal Years Ending September 30	Principal Due October 1	Interest Due April 1/ October 1	Total
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	1,030,000	15,450	1,045,450
	\$ 3,505,000	\$ 1,145,469	\$ 4,650,469

See accompanying independent auditor's report.

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**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2017**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
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>\$ 14,545,000</u>	<u>\$ 3,106,594</u>	<u>\$ 17,651,594</u>

See accompanying independent auditor's report.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT**  
**CHANGE IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2016
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	2,020,000
Chimney Hill Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2011	4,225,000	4,125,000
Chimney Hill Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2014	5,090,000	4,595,000
Chimney Hill Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2015	3,505,000	3,505,000
<b>TOTAL</b>	<b><u>\$ 18,130,000</u></b>	<b><u>\$ 15,595,000</u></b>

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding September 30, 2017	Paying Agent
	Principal	Interest		
\$		\$ 54,000	\$ 1,350,000	The Bank of New York Mellon Trust Company, N.A. Houston, TX
	470,000	71,400	1,550,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	80,000	161,350	4,045,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	500,000	136,850	4,095,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		103,588	3,505,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 1,050,000</u>	<u>\$ 527,188</u>	<u>\$ 14,545,000</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, 2017**

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, 2017:		 <u>\$ 3,168,884</u>
 Average annual debt service payment (principal and interest) for remaining term of all debt:		 <u>\$ 1,357,815</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		
	2017	2016	2015
<b>REVENUES</b>			
Property Taxes	\$ 1,183,696	\$ 1,259,040	\$ 915,700
Sales Tax Receipts	79,465	77,407	87,860
Water Service	968,464	921,756	882,990
Wastewater Service	734,280	731,077	743,869
Penalty and Interest	56,309	62,881	66,057
Tap Connection and Inspection Fees	1,200	22,918	49,849
Investment Revenues	15,762	7,375	7,462
Miscellaneous Revenues	19,920	17,710	15,704
<b>TOTAL REVENUES</b>	<b>\$ 3,059,096</b>	<b>\$ 3,100,164</b>	<b>\$ 2,769,491</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 240,664	\$ 83,137	\$ 257,058
Contracted Services	664,015	668,204	663,929
Purchased Water Service	533,422	535,755	513,426
Purchased Wastewater Service	576,432	464,663	456,328
Utilities	35,459	43,459	43,443
Repairs and Maintenance	497,414	559,394	362,117
Other	263,927	236,686	209,821
Capital Outlay	30,928	100,450	
Bond Issuance Costs			1,949
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,842,261</b>	<b>\$ 2,691,748</b>	<b>\$ 2,508,071</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 216,835</b>	<b>\$ 408,416</b>	<b>\$ 261,420</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In(Out)	\$ 31,390	\$ - 0 -	\$ - 0 -
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 248,225</b>	<b>\$ 408,416</b>	<b>\$ 261,420</b>
<b>BEGINNING FUND BALANCE</b>	<b>2,652,474</b>	<b>2,244,058</b>	<b>1,982,638</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 2,900,699</b>	<b>\$ 2,652,474</b>	<b>\$ 2,244,058</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2014	2013	2017	2016	2015	2014	2013
\$ 693,726	\$ 560,435	38.7 %	40.7 %	32.9 %	28.5 %	21.7 %
74,367	68,349	2.6	2.5	3.2	3.0	2.6
847,900	850,564	31.7	29.7	31.9	34.6	32.9
737,661	732,873	24.0	23.6	26.9	30.1	28.3
33,695	32,796	1.8	2.0	2.4	1.4	1.3
5,277	263,979		0.7	1.8	0.2	10.2
8,229	8,539	0.5	0.2	0.3	0.3	0.3
46,280	70,429	0.7	0.6	0.6	1.9	2.7
<u>\$ 2,447,135</u>	<u>\$ 2,587,964</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 234,063	\$ 131,632	7.9 %	2.7 %	9.3 %	9.6 %	5.1 %
644,391	676,325	21.7	21.6	24.0	26.3	26.1
458,445	460,979	17.4	17.3	18.5	18.7	17.8
449,123	498,945	18.8	15.0	16.5	18.4	19.3
51,659	49,320	1.2	1.4	1.6	2.1	1.9
306,688	275,136	16.3	18.0	13.1	12.5	10.6
179,122	223,556	8.6	7.6	7.6	7.3	8.6
	27,756	1.0	3.2			1.1
				0.1		
<u>\$ 2,323,491</u>	<u>\$ 2,343,649</u>	<u>92.9 %</u>	<u>86.8 %</u>	<u>90.7 %</u>	<u>94.9 %</u>	<u>90.5 %</u>
\$ 123,644	\$ 244,315	7.1 %	13.2 %	9.3 %	5.1 %	9.5 %
\$ - 0 -	\$ 120,050					
\$ 123,644	\$ 364,365					
1,858,994	1,494,629					
<u>\$ 1,982,638</u>	<u>\$ 1,858,994</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2017	2016	2015
<b>REVENUES</b>			
Property Taxes	\$ 1,415,251	\$ 1,585,448	\$ 1,599,057
Penalty and Interest	27,476	23,063	30,916
Investment Revenues	14,579	7,037	6,626
Miscellaneous Revenues	<u>                    </u>	<u>2,436</u>	<u>18,521</u>
<b>TOTAL REVENUES</b>	<u>\$ 1,457,306</u>	<u>\$ 1,617,984</u>	<u>\$ 1,655,120</u>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 70,883	\$ 73,012	\$ 73,712
Debt Service Principal	1,050,000	1,020,000	955,000
Debt Service Interest and Fees	530,938	559,571	419,455
Payment to Refunded Bond Escrow Agent			
Bond Issuance Costs	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,651,821</u>	<u>\$ 1,652,583</u>	<u>\$ 1,448,167</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (194,515)</u>	<u>\$ (34,599)</u>	<u>\$ 206,953</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refunding Bonds	\$	\$	\$
Payment to Refunded Bond Escrow Agent			
Bond Premium	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (194,515)	\$ (34,599)	\$ 206,953
<b>BEGINNING FUND BALANCE</b>	<u>3,384,952</u>	<u>3,419,551</u>	<u>3,212,598</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 3,190,437</u>	<u>\$ 3,384,952</u>	<u>\$ 3,419,551</u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>1,793</u>	<u>1,788</u>	<u>1,768</u>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>1,795</u>	<u>1,766</u>	<u>1,762</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2014	2013	2017	2016	2015	2014	2013
\$ 1,414,426	\$ 1,412,117	97.1 %	98.0 %	96.6 %	97.7 %	97.2 %
25,703	32,466	1.9	1.4	1.9	1.8	2.2
7,876	9,075	1.0	0.4	0.4	0.5	0.6
	60		0.2	1.1		
<u>\$ 1,448,005</u>	<u>\$ 1,453,718</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 58,302	\$ 60,627	4.9 %	4.5 %	4.5 %	4.0 %	4.2 %
925,000	905,000	72.1	63.0	57.7	63.9	62.3
590,213	687,995	36.4	34.6	25.3	40.8	47.3
102,000					7.0	
212,791					14.7	
<u>\$ 1,888,306</u>	<u>\$ 1,653,622</u>	<u>113.4 %</u>	<u>102.1 %</u>	<u>87.5 %</u>	<u>130.4 %</u>	<u>113.8 %</u>
<u>\$ (440,301)</u>	<u>\$ (199,904)</u>	<u>(13.4) %</u>	<u>(2.1) %</u>	<u>12.5 %</u>	<u>(30.4) %</u>	<u>(13.8) %</u>
\$ 5,090,000	\$					
(5,091,076)						
215,290						
<u>\$ 214,214</u>	<u>\$ - 0 -</u>					
\$ (226,087)	\$ (199,904)					
<u>3,438,685</u>	<u>3,638,589</u>					
<u>\$ 3,212,598</u>	<u>\$ 3,438,685</u>					
<u>1,776</u>	<u>1,752</u>					
<u>1,766</u>	<u>1,757</u>					

See accompanying independent auditor's report.

**CHIMNEY HILL MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2017**

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

District Telephone Number - (713) 651-0111

<b>Board Members</b>	Term of Office * (Elected or Appointed)	Fees of Office for the year ended September 30, 2017	Expense Reimbursements for the year ended September 30, 2017	Title
W. Jay Szinyei	05/17 05/21 (Elected)	\$ 7,200	\$ 1,379	President
Charley L. Lewis	05/15 05/19 (Elected)	\$ 6,750	\$ 744	Vice President
Kimberly R. McNinch	05/17 05/21 (Elected)	\$ 4,050	\$ 130	Assistant Vice President/ Assistant Secretary/ Treasurer/ Assistant Investment Officer
Camille W. Sowell	05/15 05/19 (Elected)	\$ 5,700	\$ 364	Secretary/ Treasurer/ Investment Officer
Thomas Woltz, Sr.	05/17 05/21 (Elected)	\$ 7,200	\$ 1,512	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):  
July 3, 2017.

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 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, 2017**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2017 District</u>	<u>Fees for the year ended September 30, 2017 Plant</u>	<u>Title</u>
Coats Rose, P.C.	09/01/80	\$ 176,522 -0-	\$ 5,460 -0-	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	08/06/87	\$ 17,800	\$ 4,050	Auditor
Myrtle Cruz, Inc.	08/01/85	\$ 20,816	\$ 4,297	Bookkeeper
Larson & Weisinger	02/25/99	\$ 7,933	\$ -0-	Delinquent Tax Attorney
A&S Engineers, Inc.	07/30/99	\$ 146,828	\$ 60,583	Engineer
Rathmann & Associates, L.P.	04/09/03	\$ -0-	\$ -0-	Financial Advisor
Water District Management Company	01/27/89	\$ 701,869	\$ 394,578	Operator
Assessments of the Southwest, Inc.	10/01/01	\$ 33,444	\$ -0-	Tax Assessor/ Collector

See accompanying independent auditor's report.

