

**FORT BEND COUNTY MUNICIPAL
UTILITY DISTRICT NO. 136**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

June 30, 2017

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UTILITY DISTRICT NO. 136**

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Independent Auditors' Report

Board of Directors
Fort Bend County Municipal Utility District No. 136
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 136, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

*Board of Directors
Fort Bend County Municipal Utility District No. 136
Fort Bend County, Texas*

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 136, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

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

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

W.C. Grath & Co, P.C.

Houston, Texas
October 9, 2017

Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 136
Management's Discussion and Analysis
June 30, 2017***

Using this Annual Report

Within this section of the financial report of Fort Bend County Municipal Utility District No. 136 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

***Fort Bend County Municipal Utility District No. 136
Management's Discussion and Analysis
June 30, 2017***

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at June 30, 2017, was negative \$4,459,941. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities and roads which it conveys to the City of Sugar Land. A comparative summary of the District's overall financial position, as of June 30, 2017 and 2016, is as follows:

	2017	2016
Current and other assets	\$ 755,227	\$ 814,955
Capital assets	117,313	121,502
Total assets	<u>872,540</u>	<u>936,457</u>
Current liabilities	228,183	227,802
Long-term liabilities	5,104,298	5,341,408
Total liabilities	<u>5,332,481</u>	<u>5,569,210</u>
Net position		
Net investment in capital assets	80,327	75,383
Restricted	394,132	399,305
Unrestricted	(4,934,400)	(5,107,441)
Total net position	<u>\$ (4,459,941)</u>	<u>\$ (4,632,753)</u>

Fort Bend County Municipal Utility District No. 136
Management's Discussion and Analysis
June 30, 2017

The total net position of the District increased during the current fiscal year by \$172,812. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2017</u>	<u>2016</u>
Revenues		
Property taxes, penalties and interest	\$ 357,531	\$ 354,989
Master District connection charges	38,450	225,840
City of Sugar Land tax rebates	133,184	122,991
Other	1,017	1,048
Total revenues	<u>530,182</u>	<u>704,868</u>
Expenses		
Operating and administrative	124,762	113,463
Interest and fees	189,967	193,972
Amortization	4,189	4,189
Total expenses	<u>318,918</u>	<u>311,624</u>
Change in net position before other item	211,264	393,244
Other items		
Transfers to other governments	(38,452)	(220,178)
Change in estimate of due to developer		3,244,291
Change in net position	172,812	3,417,357
Net position, beginning of year	<u>(4,632,753)</u>	<u>(8,050,110)</u>
Net position, end of year	<u>\$ (4,459,941)</u>	<u>\$ (4,632,753)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of June 30, 2017, were \$747,023, which consists of \$292,429 in the General Fund and \$454,594 in the Debt Service Fund.

General Fund

A comparative summary of the General Fund's financial position as of June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Total assets	\$ 299,850	\$ 352,959
Total liabilities	\$ 6,938	\$ 5,111
Total deferred inflows	483	400
Total fund balance	292,429	347,448
Total liabilities, deferred inflows and fund balance	<u>\$ 299,850</u>	<u>\$ 352,959</u>

*Fort Bend County Municipal Utility District No. 136
Management's Discussion and Analysis
June 30, 2017*

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

	2017	2016
Total revenues	\$ 174,184	\$ 327,576
Total expenditures	(229,203)	(405,881)
Revenues under expenditures	<u>\$ (55,019)</u>	<u>\$ (78,305)</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy and Master District connection charges. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because assessed values increased from prior year.
- Master District connection charges are collected from participating districts based on each district's share of capacity in the Master District facilities. Additional information is presented in Note 10.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of June 30, 2017 and 2016 is as follows:

	2017	2016
Total assets	<u>\$ 455,377</u>	<u>\$ 461,996</u>
Total liabilities	\$ 6	\$ 6
Total deferred inflows	777	662
Total fund balance	454,594	461,328
Total liabilities, deferred inflows and fund balance	<u>\$ 455,377</u>	<u>\$ 461,996</u>

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

	2017	2016
Total revenues	\$ 355,800	\$ 346,199
Total expenditures	(362,534)	(359,248)
Revenues under expenditures	<u>\$ (6,734)</u>	<u>\$ (13,049)</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues and the City of Sugar Land tax rebates. The difference between these financial resources and debt service requirements will result in changes in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial

*Fort Bend County Municipal Utility District No. 136
Management's Discussion and Analysis
June 30, 2017*

advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$76,219 less than budgeted. The *Budgetary Comparison Schedule* on page 30 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at June 30, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Capital assets being amortized		
Connection charges	\$ 142,447	\$ 142,447
Less accumulated amortization	(25,134)	(20,945)
Capital assets, net	<u>\$ 117,313</u>	<u>\$ 121,502</u>

The District and the City of Sugar Land (the "City") have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. For the year ended June 30, 2017, capital assets in the amount of \$38,452 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 11.

Long-Term Debt and Related Liabilities

As of June 30, 2017, the District owes \$985,699 to developers for completed projects. These developer funded capital assets are recorded on the District's financial statements upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds.

Fort Bend County Municipal Utility District No. 136
Management's Discussion and Analysis
June 30, 2017

At June 30, 2017 and 2016, the District had total bonded debt outstanding as shown below:

Series	2017	2016
2011	\$ 2,180,000	\$ 2,235,000
2013 Road	2,205,000	2,310,000
	\$ 4,385,000	\$ 4,545,000

At June 30, 2017, the District had \$17,625,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$2,900,000 for parks and recreational facilities; \$2,760,000 for road improvements and \$13,000,000 for refunding purposes.

Next Year's Budget

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

	2017 Actual	2018 Budget
Total revenues	\$ 174,184	\$ 184,600
Total expenditures	(229,203)	(129,350)
Revenues over/(under) expenditures	(55,019)	55,250
Beginning fund balance	347,448	292,429
Ending fund balance	\$ 292,429	\$ 347,679

Property Taxes

The District's property tax base increased approximately \$7,094,000 for the 2017 tax year from \$84,945,540 to \$92,039,144. This increase was primarily due to new construction in the District and increased property values. For the 2017 tax year, the District has levied a maintenance tax rate of \$0.20 per \$100 of assessed value, \$0.105 for water, sewer and drainage debt service and \$0.115 for road debt service, for a total combined tax rate of \$0.42 per \$100. Tax rates for the 2016 tax year were \$0.16 per \$100 for maintenance and operations, \$0.115 for water, sewer and drainage debt service and \$0.145 for road debt service, for a total of \$0.42.

Basic Financial Statements

*Fort Bend County Municipal Utility District No. 136
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2017*

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 286,778	\$ 463,458	\$ 750,236	\$ -	\$ 750,236
Taxes receivable	483	777	1,260		1,260
Internal balances	8,858	(8,858)			
Prepaid insurance	3,731		3,731		3,731
Capital assets, net				117,313	117,313
Total Assets	\$ 299,850	\$ 455,377	\$ 755,227	117,313	872,540
Liabilities					
Accounts payable	\$ 6,938	\$ -	\$ 6,938		6,938
Other payables		6	6		6
Accrued interest payable				61,239	61,239
Due to developer				985,699	985,699
Long-term debt					
Due within one year				160,000	160,000
Due after one year				4,118,599	4,118,599
Total Liabilities	6,938	6	6,944	5,325,537	5,332,481
Deferred Inflows of Resources					
Deferred property taxes	483	777	1,260	(1,260)	
Fund Balances/Net Position					
Fund Balances					
Nonspendable	3,731		3,731	(3,731)	
Restricted		454,594	454,594	(454,594)	
Unassigned	288,698		288,698	(288,698)	
Total Fund Balances	292,429	454,594	747,023	(747,023)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 299,850	\$ 455,377	\$ 755,227		
Net Position					
Net investment in capital assets				80,327	80,327
Restricted for debt service				394,132	394,132
Unrestricted				(4,934,400)	(4,934,400)
Total Net Position				\$ (4,459,941)	\$ (4,459,941)

See notes to basic financial statements.

*Fort Bend County Municipal Utility District No. 136
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017*

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Property taxes	\$ 135,128	\$ 219,487	\$ 354,615	\$ 198	\$ 354,813
Penalties and interest		2,718	2,718		2,718
City of Sugar Land tax rebates		133,184	133,184		133,184
Master District connection charges	38,450		38,450		38,450
Investment earnings	606	411	1,017		1,017
Total Revenues	174,184	355,800	529,984	198	530,182
Expenditures/Expenses					
Operating and administrative					
Professional fees	71,059		71,059		71,059
Contracted services	12,600	13,092	25,692		25,692
Administrative	23,904	1,060	24,964		24,964
Other	265	2,782	3,047		3,047
Capital outlay	120,629		120,629	(120,629)	
Debt service					
Principal		160,000	160,000	(160,000)	
Interest and fees	746	185,600	186,346	3,621	189,967
Amortization				4,189	4,189
Total Expenditures/Expenses	229,203	362,534	591,737	(272,819)	318,918
Revenues Over (Under) Expenditures/Expenses	(55,019)	(6,734)	(61,753)	273,017	211,264
Other Items					
Transfers to other governments				(38,452)	(38,452)
Net Change in Fund Balances Change in Net Position	(55,019)	(6,734)	(61,753)	61,753	172,812
Fund Balance/Net Position					
Beginning of the year	347,448	461,328	808,776	(5,441,529)	(4,632,753)
End of the year	\$ 292,429	\$ 454,594	\$ 747,023	\$ (5,206,964)	\$ (4,459,941)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Municipal Utility District No. 136 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated April 1, 2005, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on June 13, 2005 and the first bonds were sold on December 15, 2011.

The District’s primary activities include construction of water, sewer, drainage and road facilities. As further discussed in Note 11, the District transfers these facilities to the City of Sugar Land upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

Measurement Focus and Basis of Accounting

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

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes and City of Sugar Land tax rebates. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At June 30, 2017, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Amortizable capital assets, which consist of connection fees paid to the City of Sugar Land and Master District connection charges, are amortized using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Connection charges	Remaining life of contract

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources (continued)

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items.

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Fort Bend County Municipal Utility District No. 136
Notes to Basic Financial Statements
June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds		\$ 747,023
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 142,447	
Less accumulated amortization	<u>(25,134)</u>	
Change due to capital assets		117,313
Amounts due to the District's developer for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .		(985,699)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net	(4,278,599)	
Interest payable on bonds	<u>(61,239)</u>	
Change due to long-term debt		(4,339,838)
Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		1,260
Total net position - governmental activities		<u><u>\$ (4,459,941)</u></u>

Fort Bend County Municipal Utility District No. 136
Notes to Basic Financial Statements
June 30, 2017

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

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

Net change in fund balances - total governmental funds	\$	(61,753)
--	----	----------

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes.		198
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Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities*, connection charges paid to the City of Sugar Land are capitalized and charged to expense over the remaining life of the contract. Other assets are recorded as transfers to other governments.

Capital outlays	\$	120,629	
Amortization expense		(4,189)	
Transfers to other governments		<u>(38,452)</u>	
			77,988

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Principal payments		160,000	
Interest expense accrual		<u>(3,621)</u>	
			156,379

Change in net position of governmental activities		<u><u>\$ 172,812</u></u>
---	--	--------------------------

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Note 3 – Deposits and Investments (continued)

Investments

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

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

Note 4 – Amounts Due to/from Other Funds

Amounts due to/from other funds at June 30, 2017, consist of the following:

	Interfund	
	Receivable	Payable
General Fund	\$ 8,858	\$ -
Debt Service Fund		8,858
	<u>\$ 8,858</u>	<u>\$ 8,858</u>

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

Fort Bend County Municipal Utility District No. 136
Notes to Basic Financial Statements
June 30, 2017

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended June 30, 2017, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets being amortized			
Connection charges	\$ 142,447	\$ -	\$ 142,447
Less accumulated amortization	(20,945)	(4,189)	(25,134)
Capital assets, net	<u>\$ 121,502</u>	<u>\$ (4,189)</u>	<u>\$ 117,313</u>

Amortization expense for the current year was \$4,189.

Note 6 – Due to Developer

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

Changes in amounts due to developer during the year is as follows:

Due to developer, beginning of year	\$ 1,067,876
Developer reimbursements	(120,629)
Developer funded construction and adjustments	38,452
Due to developer, end of year	<u>\$ 985,699</u>

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 4,385,000
Unamortized discounts	(106,401)
	<u>\$ 4,278,599</u>
Due within one year	<u>\$ 160,000</u>

Fort Bend County Municipal Utility District No. 136
Notes to Basic Financial Statements
June 30, 2017

Note 7 – Long-Term Debt (continued)

The District’s bonds payable at June 30, 2017, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2011	\$ 2,180,000	\$ 2,375,000	4.0% - 5.1%	September 1, 2013/2037	September 1, March 1	September 1, 2020
2013 Road	2,205,000	2,525,000	2.0% - 4.0%	September 1, 2014/2037	September 1, March 1	September 1, 2020
	<u>\$ 4,385,000</u>					

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

At June 30, 2017, the District had authorized but unissued bonds in the amount of \$17,625,000 for water, sewer and drainage facilities, \$2,900,000 for park and recreational facilities, \$2,760,000 for road improvements, and \$13,000,000 for refunding purposes.

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

Bonds payable, beginning of year	\$ 4,545,000
Bonds retired	(160,000)
Bonds payable, end of year	<u>\$ 4,385,000</u>

Fort Bend County Municipal Utility District No. 136
Notes to Basic Financial Statements
June 30, 2017

Note 7 – Long-Term Debt (continued)

As of June 30, 2017, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2018	\$ 160,000	\$ 180,050	\$ 340,050
2019	165,000	175,572	340,572
2020	165,000	170,737	335,737
2021	170,000	165,443	335,443
2022	175,000	159,521	334,521
2023	180,000	153,090	333,090
2024	185,000	146,197	331,197
2025	190,000	139,078	329,078
2026	195,000	131,457	326,457
2027	200,000	123,269	323,269
2028	205,000	114,561	319,561
2029	210,000	105,420	315,420
2030	215,000	95,845	310,845
2031	220,000	86,020	306,020
2032	225,000	75,945	300,945
2033	235,000	65,430	300,430
2034	240,000	54,473	294,473
2035	250,000	43,133	293,133
2036	260,000	31,283	291,283
2037	265,000	19,050	284,050
2038	275,000	6,435	281,435
	<u>\$ 4,385,000</u>	<u>\$ 2,242,007</u>	<u>\$ 6,627,007</u>

Note 8 – Property Taxes

On September 10, 2005, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. On May 12, 2007, the voters of the District authorized the District’s Board of Directors to levy taxes annually for maintenance of road facilities limited to \$0.25 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Fort Bend Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Fort Bend County Municipal Utility District No. 136
Notes to Basic Financial Statements
June 30, 2017

Note 8 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2017 fiscal year was financed through the 2016 tax levy, pursuant to which the District levied property taxes of \$0.42 per \$100 of assessed value, of which \$0.16 was allocated to maintenance and operations, \$0.115 was allocated to water, sewer and drainage debt service and \$0.145 was allocated to road debt service. The resulting tax levy was \$356,771 on the adjusted taxable value of \$84,945,540.

Property taxes receivable, at June 30, 2017, consisted of the following:

Current year taxes receivable	\$	1,067
Prior years taxes receivable		193
Property taxes receivable	\$	<u>1,260</u>

Note 9 – Transfers to Other Governments

In accordance with an agreement between the District and the City of Sugar Land (the “City”), the District transfers all of its water, sewer, drainage and road facilities to the City (see Note 11). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. For the year ended June 30, 2017, the total amount of projects completed and transferred to the City was \$38,452.

Note 10 – Master District Facilities

The District has entered into agreements with Fort Bend County Municipal Utility District No. 137, Fort Bend County Municipal Utility District No. 138 and Fort Bend County Municipal Utility District No. 139 (the “Participating Districts”) to construct certain regional water, sewer and drainage improvements (“Master District Facilities”) to serve the Telfair master planned community. The District serves as the Master District and is reimbursed by the Participating Districts on a pro-rata basis for costs related to the construction of the Master District Facilities as a capital recovery charge (the “Master District Connection Charge”). The Master District Connection Charge is set by the District and may be amended without approval by the District at any time. Pursuant to this agreement, the District received \$38,450 in revenues during the current fiscal year. Due to the adoption of the Agreement (described below), the District will no longer collect these connection charges.

On August 8, 2016, the District and the Participating Districts entered into a Cost Sharing Agreement for Construction of Facilities (the “Agreement”). Pursuant to the Agreement, costs associated with the construction of certain shared facilities to serve the Telfair master planned community were allocated between the Participating Districts on a pro-rata basis based on capacity provided by the shared facilities. Each Participating District has entered into financing agreements with the Districts’ developer for the construction of the facilities and will assume responsibility for reimbursing the developer in accordance with the reallocation of costs.

Note 10 – Master District Facilities (continued)

The reallocation was based on each Participating District's capacity as of June 30, 2016 and affects the amount reported as due to developer as of that date. The financial impact of the Agreement was recorded in the prior fiscal year.

Note 11 – Utility Agreement with the City of Sugar Land

Residents of the District receive water and wastewater treatment service from the City of Sugar Land (the "City") pursuant to a Utility Agreement between the District and the City, dated July 21, 2005. As a condition of such service, the Utility Agreement obligates the District to acquire, construct, and extend water, sanitary sewer and drainage facilities (the "System") to serve land in the District and, when completed in accordance with approved plans and specifications, to convey title to the System to the City. The City then operates and maintains the System, and is responsible for establishing water and sewer rates and billing and collecting for such services. The Utility Agreement provides that the District retains a security interest in the System to secure the City's performance under the Utility Agreement until the District's bonds have been fully paid, at which time the District will execute a release of such interest, and the City will own the System unencumbered. The District has agreed to extend the System to serve future users as necessary so that ultimately all land owners in the District will be able to receive services from the System. However, the District's obligation to extend the System is conditioned upon the Developer continuing with its development program, the City's performing under the provisions of the Utility Agreement, the satisfaction of certain determinations of economic feasibility, governmental agency approvals and the ability to sell additional bonds. The term of the Utility Agreement is forty years.

The Utility Agreement further requires the District to pay the City a capital recovery charge (the "City Connection Charge") to purchase water supply and wastewater treatment capacity in the City's existing system. The City Connection is set by the City and may be amended without the District's consent at any time.

The City also levies and collects ad valorem taxes on taxable property within the District as it does with any other property located in the City. Pursuant to the Utility Agreement with the District, the City has agreed to rebate to the District fifty percent (50%) of such City taxes collected upon taxable property within the District beginning with taxes collected for the 2012 tax year, the District's initial year of debt service tax levy and continuing each year thereafter until the year 2046. The amount of rebate payment will vary with changes in the City's tax rate and the District's appraised valuation. Consequently, the amounts subject to rebate by the City under the formula will vary from year to year.

The District intends to use such rebate from the City toward the payment of principal of and interest on the Bonds, however, the rebate is not pledged to the payment of principal and interest on the Bonds. Any significant reduction in the amount of the tax rebate may require a corresponding increase in the District's tax rate. During the current year, the District received a rebate in the amount of \$133,184 from the City.

Note 12 – Risk Management

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

Note 13 – Concentration of Risk

Approximately 70% of the taxable property within the District is owned by the top 10 taxpayers. Since property taxes are the primary source of revenue for both the General Fund and the Debt Service Fund, the continued ability of these taxpayers to continue to pay their property taxes is an important factor in the District's ability to meet its future obligations.

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Required Supplementary Information

*Fort Bend County Municipal Utility District No. 136
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended June 30, 2017*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 150,000	\$ 135,128	\$ (14,872)
Master District connection charges		38,450	38,450
Investment earnings	600	606	6
Total Revenues	<u>150,600</u>	<u>174,184</u>	<u>23,584</u>
Expenditures			
Operations and administration			
Professional fees	30,000	71,059	(41,059)
Contracted services	12,600	12,600	
Administrative	85,800	23,904	61,896
Other	1,000	265	735
Capital outlay		120,629	(120,629)
Interest and fees		746	(746)
Total Expenditures	<u>129,400</u>	<u>229,203</u>	<u>(99,803)</u>
Revenues Over (Under) Expenditures	21,200	(55,019)	(76,219)
Fund Balance			
Beginning of the year	347,448	347,448	
End of the year	<u>\$ 368,648</u>	<u>\$ 292,429</u>	<u>\$ (76,219)</u>

Fort Bend County Municipal Utility District No. 136
Notes to Required Supplementary Information
June 30, 2017

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Fort Bend County Municipal Utility District No. 136
TSI-1. Services and Rates
June 30, 2017

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

- | | | | |
|---|---|--|-------------------------------------|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks / Recreation | <input type="checkbox"/> Fire Protection | <input checked="" type="checkbox"/> Roads | <input type="checkbox"/> Security |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | |
| <input checked="" type="checkbox"/> Other (Specify): <u>Water and sewer services are provided by the City of Sugar Land</u> | | | |

2. Retail Service Providers

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

a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage? Yes No

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

b. Water and Wastewater Retail Connections:

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

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 136
TSI-1. Services and Rates
June 30, 2017

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

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

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

Does the District have Debt Service standby fees? Yes No

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

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

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

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

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Fort Bend County

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

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

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

ETJs in which the District is located: _____

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

If Yes, by whom? _____

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 136
 TSI-2 General Fund Expenditures
 For the Year Ended June 30, 2017*

Professional fees		
Legal		\$ 47,616
Audit		11,350
Engineering		12,093
		<u>71,059</u>
Contracted services		
Bookkeeping		<u>12,600</u>
Administrative		
Directors fees		10,500
Printing and office supplies		889
Insurance		3,867
Other		8,648
		<u>23,904</u>
Other		<u>265</u>
Capital outlay		<u>120,629</u>
Interest and fees		<u>746</u>
Total expenditures		<u><u>\$ 229,203</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	N/A	N/A
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 136
TSI-4. Taxes Levied and Receivable
June 30, 2017

	Maintenance Taxes	W-S-D Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 400	\$ 305	\$ 357	\$ 1,062
2016 Original Tax Levy	134,044	96,344	121,477	351,865
Adjustments	1,869	1,343	1,694	4,906
Adjusted Tax Levy	135,913	97,687	123,171	356,771
Total to be accounted for	136,313	97,992	123,528	357,833
Tax collections:				
Current year	135,506	97,395	122,803	355,704
Prior years	324	252	293	869
Total Collections	135,830	97,647	123,096	356,573
Taxes Receivable, End of Year	\$ 483	\$ 345	\$ 432	\$ 1,260
Taxes Receivable, By Years				
2016	\$ 407	\$ 292	\$ 368	\$ 1,067
2015	7	5	6	18
2014	69	48	58	175
Taxes Receivable, End of Year	\$ 483	\$ 345	\$ 432	\$ 1,260
	2016	2015	2014	2013
Property Valuations:				
Land	\$ 32,324,480	\$ 33,130,410	\$ 33,123,060	\$ 28,589,100
Improvements	42,672,420	39,241,450	31,712,850	26,349,140
Personal Property	10,047,730	9,576,770	8,967,840	8,027,390
Exemptions	(99,090)	(73,590)	(74,060)	(74,730)
Total Property Valuations	\$ 84,945,540	\$ 81,875,040	\$ 73,729,690	\$ 62,890,900
Tax Rates per \$100 Valuation:				
Maintenance tax rates (1)	\$ 0.160	\$ 0.160	\$ 0.200	\$ 0.20
W-S-D Debt service tax rates	0.115	0.125	0.135	0.15
Road Debt service tax rates	0.145	0.145	0.165	0.19
Total Tax Rates per \$100 Valuation	\$ 0.420	\$ 0.430	\$ 0.500	\$ 0.54
Adjusted Tax Levy:	\$ 356,771	\$ 352,063	\$ 368,648	\$ 339,611
Percentage of Taxes Collected to Taxes Levied **	99.70%	99.99%	99.95%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on September 10, 2005

* Maximum Road Facilities Maintenance Tax Rate Approved by Voters: \$0.25 on May 12, 2007

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

(1) The District has only levied a maintenance tax for operation purposes and not for road maintenance.

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 136
 TSI-5. Long-Term Debt Service Requirements
 Series 2011--by Years
 June 30, 2017*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2018	\$ 55,000	\$ 105,237	\$ 160,237
2019	60,000	102,938	162,938
2020	60,000	100,492	160,492
2021	65,000	97,849	162,849
2022	70,000	94,894	164,894
2023	75,000	91,612	166,612
2024	80,000	88,048	168,048
2025	85,000	84,189	169,189
2026	90,000	80,033	170,033
2027	95,000	75,520	170,520
2028	100,000	70,645	170,645
2029	105,000	65,520	170,520
2030	110,000	60,145	170,145
2031	115,000	54,520	169,520
2032	120,000	48,645	168,645
2033	130,000	42,330	172,330
2034	135,000	35,573	170,573
2035	145,000	28,433	173,433
2036	155,000	20,783	175,783
2037	160,000	12,750	172,750
2038	170,000	4,335	174,335
	<u>\$ 2,180,000</u>	<u>\$ 1,364,491</u>	<u>\$ 3,544,491</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 136
TSI-5. Long-Term Debt Service Requirements
Series 2013 Road--by Years
June 30, 2017

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2018	\$ 105,000	\$ 74,813	\$ 179,813
2019	105,000	72,634	177,634
2020	105,000	70,245	175,245
2021	105,000	67,594	172,594
2022	105,000	64,627	169,627
2023	105,000	61,478	166,478
2024	105,000	58,149	163,149
2025	105,000	54,889	159,889
2026	105,000	51,424	156,424
2027	105,000	47,749	152,749
2028	105,000	43,916	148,916
2029	105,000	39,900	144,900
2030	105,000	35,700	140,700
2031	105,000	31,500	136,500
2032	105,000	27,300	132,300
2033	105,000	23,100	128,100
2034	105,000	18,900	123,900
2035	105,000	14,700	119,700
2036	105,000	10,500	115,500
2037	105,000	6,300	111,300
2038	105,000	2,100	107,100
	<u>\$ 2,205,000</u>	<u>\$ 877,516</u>	<u>\$ 3,082,516</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 136
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
June 30, 2017

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2018	\$ 160,000	\$ 180,050	\$ 340,050
2019	165,000	175,572	340,572
2020	165,000	170,737	335,737
2021	170,000	165,443	335,443
2022	175,000	159,521	334,521
2023	180,000	153,090	333,090
2024	185,000	146,197	331,197
2025	190,000	139,078	329,078
2026	195,000	131,457	326,457
2027	200,000	123,269	323,269
2028	205,000	114,561	319,561
2029	210,000	105,420	315,420
2030	215,000	95,845	310,845
2031	220,000	86,020	306,020
2032	225,000	75,945	300,945
2033	235,000	65,430	300,430
2034	240,000	54,473	294,473
2035	250,000	43,133	293,133
2036	260,000	31,283	291,283
2037	265,000	19,050	284,050
2038	275,000	6,435	281,435
	<u>\$ 4,385,000</u>	<u>\$ 2,242,007</u>	<u>\$ 6,627,007</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 136
 TSI-6. Change in Long-Term Bonded Debt
 June 30, 2017*

	Bond Issue		Totals
	Series 2011	Series 2013 Road	
Interest rate	4.00% - 5.10%	2.00% - 4.00%	
Dates interest payable	9/1; 3/1	9/1; 3/1	
Maturity dates	9/1/13 - 9/1/37	9/1/14 - 9/1/37	
Beginning bonds outstanding	\$ 2,235,000	\$ 2,310,000	\$ 4,545,000
Bonds retired	(55,000)	(105,000)	(160,000)
Ending bonds outstanding	<u>\$ 2,180,000</u>	<u>\$ 2,205,000</u>	<u>\$ 4,385,000</u>
Interest paid during fiscal year	<u>\$ 107,438</u>	<u>\$ 76,913</u>	<u>\$ 184,351</u>

Paying agent's name and city
 All Series

The Bank of New York Mellon Trust Company - Dallas, Texas

Bond Authority:	Water, Sewer and Drainage Bonds	Recreational Facilities Bonds	Road Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 20,000,000	\$ 2,900,000	\$ 5,285,000	\$ 13,000,000
Amount Issued	(2,375,000)		(2,525,000)	
Remaining To Be Issued	<u>\$ 17,625,000</u>	<u>\$ 2,900,000</u>	<u>\$ 2,760,000</u>	<u>\$ 13,000,000</u>

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

Debt Service Fund cash balances as of June 30, 2017: \$ 463,458

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 315,572

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 136
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2017	2016	2015	2014	2013
Revenues					
Property taxes	\$ 135,128	\$ 131,389	\$ 140,426	\$ 125,557	\$ 199,716
Master District connection charges	38,450	195,685			
Investment earnings	606	502	585	630	543
Total Revenues	174,184	327,576	141,011	126,187	200,259
Expenditures					
Operations and administration					
Professional fees	71,059	64,222	65,298	54,066	70,953
Contracted services	12,600	12,225	12,000	12,000	11,500
Administrative	23,904	18,799	21,180	24,498	30,611
Other	265				225
Capital outlay	120,629	310,152			
Interest and fees	746	483			
Total Expenditures	229,203	405,881	98,478	90,564	113,289
Revenues Over (Under) Expenditures	\$ (55,019)	\$ (78,305)	\$ 42,533	\$ 35,623	\$ 86,970

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2017	2016	2015	2014	2013
78%	40%	100%	100%	100%
22%	60%			
*	*	*	*	*
100%	100%	100%	100%	100%
41%	20%	46%	43%	35%
7%	4%	9%	10%	6%
14%	6%	15%	19%	15%
*				*
69%	95%			
*	*			
131%	125%	70%	72%	56%
(31%)	(25%)	30%	28%	44%

*Fort Bend County Municipal Utility District No. 136
 TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
 For the Last Five Fiscal Years*

	Amounts				
	2017	2016	2015	2014	2013
Revenues					
Property taxes	\$ 219,487	\$ 221,719	\$ 218,206	\$ 213,003	\$ 99,829
Penalties and interest	2,718	994	1,302	98	4,143
City of Sugar Land tax rebates	133,184	122,991	143,162	79,122	71,631
Accrued interest on bonds sold					5,027
Investment earnings	411	495	477	747	482
Total Revenues	355,800	346,199	363,147	292,970	181,112
Expenditures					
Tax collection services	16,934	14,448	11,554	10,437	10,653
Debt service					
Principal	160,000	155,000	155,000	45,000	
Interest and fees	185,600	189,800	193,850	189,645	115,138
Total Expenditures	362,534	359,248	360,404	245,082	125,791
Revenues Over (Under) Expenditures	\$ (6,734)	\$ (13,049)	\$ 2,743	\$ 47,888	\$ 55,321
Total Active Retail Water Connections	N/A	N/A	N/A	N/A	N/A
Total Active Retail Wastewater Connections	N/A	N/A	N/A	N/A	N/A

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2017	2016	2015	2014	2013
62%	64%	61%	73%	55%
1%	*	*	*	2%
37%	36%	39%	27%	40%
				3%
*	*	*	*	*
100%	100%	100%	100%	100%
5%	4%	3%	4%	6%
45%	45%	43%	15%	
52%	55%	53%	65%	64%
102%	104%	99%	84%	70%
(2%)	(4%)	1%	16%	30%

Fort Bend County Municipal Utility District No. 136
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended June 30, 2017

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): August 1, 2016
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
William Barnes	5/14 to 5/18	\$ 2,550	\$ 309	President
Charles Partin	5/16 to 5/20	1,350	860	Vice President
Amanda Malone	11/14 to 5/18	1,650	148	Secretary
Mike Thelen	5/16 to 5/20	2,850	194	Assistant Secretary
Virginia Neiser	5/16 to 5/20	1,500	296	Assistant Vice President
Consultants				
		Amounts Paid		
Allen Boone Humphries Robinson LLP <i>General legal fees</i>	2005	\$ 47,616		Attorney
Myrtle Cruz, Inc.	2005	13,242		Bookkeeper
Tax Tech, Inc.	2005	10,800		Tax Collector
Fort Bend Central Appraisal District	Legislation	2,322		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	2006	607		Delinquent Tax Attorney
LJA Engineering	2005	12,093		Engineer
McGrath & Co., PLLC	Annual	11,350		Auditor
FirstSouthwest, a Division of Hilltop Securities	2005			Financial Advisor

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