

**FORT BEND COUNTY MUNICIPAL
UTILITY DISTRICT NO. 137**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

June 30, 2017

**FORT BEND COUNTY MUNICIPAL
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Independent Auditors' Report

Board of Directors
Fort Bend County Municipal Utility District No. 137
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. 137, 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. 137
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. 137, 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. G. Galt & Co., P.C.

Houston, Texas
October 9, 2017

Management's Discussion and Analysis

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*Fort Bend County Municipal Utility District No. 137
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. 137 (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. 137
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 \$21,821,098. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities which it conveys to the City of 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	\$ 3,871,754	\$ 3,406,140
Capital assets	5,908,439	6,119,454
Total assets	<u>9,780,193</u>	<u>9,525,594</u>
 Total deferred outflows of resources	 <u>1,399,279</u>	 <u>1,486,734</u>
 Current liabilities	 1,916,148	 1,719,594
Long-term liabilities	31,084,422	29,452,715
Total liabilities	<u>33,000,570</u>	<u>31,172,309</u>
 Net position		
Net investment in capital assets	(1,029,849)	(1,048,779)
Restricted	3,026,603	2,769,051
Unrestricted	<u>(23,817,852)</u>	<u>(21,880,253)</u>
Total net position	<u>\$ (21,821,098)</u>	<u>\$ (20,159,981)</u>

Fort Bend County Municipal Utility District No. 137
Management's Discussion and Analysis
June 30, 2017

The total net position of the District decreased during the current fiscal year by \$1,661,117. 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	\$ 2,780,318	\$ 2,604,262
City of Sugar Land tax rebates	933,513	878,784
Other	9,159	7,327
Total revenues	<u>3,722,990</u>	<u>3,490,373</u>
Expenses		
Operating and administrative	212,113	167,028
Interest and fees	1,257,792	1,502,316
Debt issuance costs	141,982	264,179
Amortization	211,015	211,015
Total expenses	<u>1,822,902</u>	<u>2,144,538</u>
Change in net position before other items	1,900,088	1,345,835
Other items		
Transfers to other governments	(3,561,205)	(1,389,903)
Change in estimate of due to developer		<u>(665,807)</u>
Change in net position	(1,661,117)	(709,875)
Net position, beginning of year	(20,159,981)	(19,450,106)
Net position, end of year	<u>\$ (21,821,098)</u>	<u>\$ (20,159,981)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of June 30, 2017, were \$3,777,567, which consists of \$238,433 in the General Fund, \$3,375,503 in the Debt Service Fund, and \$163,631 in the Capital Projects 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	\$ 246,287	\$ 185,843
Total liabilities	\$ 5,044	\$ 7,423
Total deferred inflows	2,810	3,012
Total fund balance	<u>238,433</u>	<u>175,408</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 246,287</u>	<u>\$ 185,843</u>

*Fort Bend County Municipal Utility District No. 137
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:

	<u>2017</u>	<u>2016</u>
Total revenues	\$ 1,005,320	\$ 928,801
Total expenditures	(942,295)	(1,942,336)
Revenues over/(under) expenditures	<u>\$ 63,025</u>	<u>\$ (1,013,535)</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resource in the General Fund is from a property tax levy, which is 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.

Debt Service Fund

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

	<u>2017</u>	<u>2016</u>
Total assets	\$ 3,381,702	\$ 3,136,222
Total liabilities	\$ 34	\$ 15,948
Total deferred inflows	6,165	6,686
Total fund balance	3,375,503	3,113,588
Total liabilities, deferred inflows and fund balance	<u>\$ 3,381,702</u>	<u>\$ 3,136,222</u>

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

	<u>2017</u>	<u>2016</u>
Total revenues	\$ 2,719,694	\$ 2,568,152
Total expenditures	(2,457,779)	(2,987,849)
Revenues over/(under) expenditures	261,915	(419,697)
Other changes in fund balance		320,953
Net change in fund balance	<u>\$ 261,915</u>	<u>\$ (98,744)</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 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 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.

*Fort Bend County Municipal Utility District No. 137
 Management's Discussion and Analysis
 June 30, 2017*

During the prior year, the District issued \$11,230,000 in refunding bonds to refund \$10,735,000 of its outstanding Series 2007, Series 2008 and Series 2008A bonds. This refunding will save the District \$1,527,558 in future debt service requirements.

Capital Projects Fund

A Capital Projects Fund was established to account for the expenditure of proceeds from the issuance of the District's Series 2017 bonds. A summary of the financial position of the Capital Projects Fund as of June 30, 2017 is as follows:

Total assets	\$ 164,636
Total liabilities	\$ 1,005
Total fund balance	163,631
Total liabilities and fund balance	\$ 164,636

A summary of the Capital Projects Fund's activities in the current fiscal year is as follows:

Total revenues	\$ 36
Total expenditures	(1,906,075)
Revenues under expenditures	(1,906,039)
Other changes in fund balance	2,069,670
Net change in fund balance	\$ 163,631

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$727,395 less than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

Capital Assets

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

*Fort Bend County Municipal Utility District No. 137
Management's Discussion and Analysis
June 30, 2017*

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		
Master District connection fees	\$ 1,162,763	\$ 1,162,763
Impact fees	6,979,350	6,979,350
	<u>8,142,113</u>	<u>8,142,113</u>
Less accumulated amortization		
Master District connection fees	(317,423)	(287,234)
Impact fees	(1,916,251)	(1,735,425)
	<u>(2,233,674)</u>	<u>(2,022,659)</u>
Capital assets, net	<u>\$ 5,908,439</u>	<u>\$ 6,119,454</u>

Additionally, certain capital assets constructed by the District are conveyed to the City of Sugar Land. These assets are recorded as transfers to other governments upon completion of construction. For the year ended June 30, 2017, capital assets in the amount of \$3,561,205 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 \$1,957,796 to the developer for completed projects. The District intends to reimburse the developers from proceeds of future bond issues.

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

Series	<u>2017</u>	<u>2016</u>
2007	\$ -	\$ 165,000
2008	255,000	495,000
2008A		265,000
2009	3,775,000	3,985,000
2011	3,900,000	4,120,000
2012	1,980,000	2,090,000
2014 Refunding	7,450,000	7,565,000
2016 Refunding	11,210,000	11,230,000
2017	2,085,000	
	<u>\$ 30,655,000</u>	<u>\$ 29,915,000</u>

During the year, the District issued \$2,085,000 in unlimited tax bonds. At June 30, 2017, the District had \$45,000,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$7,000,000 for parks and recreational facilities; \$19,500,000 for road improvements and \$51,221,589 for refunding purposes.

*Fort Bend County Municipal Utility District No. 137
 Management's Discussion and Analysis
 June 30, 2017*

Next Year's Budget

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

	<u>2017 Actual</u>	<u>2018 Budget</u>
Total revenues	\$ 1,005,320	\$ 902,000
Total expenditures	<u>(942,295)</u>	<u>(112,080)</u>
Revenues over expenditures	63,025	789,920
Beginning fund balance	175,408	238,433
Ending fund balance	<u><u>\$ 238,433</u></u>	<u><u>\$ 1,028,353</u></u>

Property Taxes

The District's property tax base increased approximately \$513,000 for the 2017 tax year from \$668,066,010 to \$668,578,954. For the 2017 tax year, the District has levied a maintenance tax rate of \$0.175 per \$100 of assessed value and a debt service tax rate of \$0.24 per \$100 of assessed value, for a total combined tax rate of \$0.415 per \$100. Tax rates for the 2016 tax year were \$0.15 per \$100 for maintenance and operations and \$0.265 per \$100 for debt service.

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Basic Financial Statements

Fort Bend County Municipal Utility District No. 137
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 41,432	\$ 2,814,299	\$ 164,636	\$ 3,020,367	\$ -	\$ 3,020,367
Investments	198,280	559,363		757,643		757,643
Taxes receivable	2,810	6,165		8,975		8,975
Prepaid items	3,962			3,962		3,962
Internal balances	(197)	197				
Accrued interest receivable		1,678		1,678		1,678
Prepaid bond insurance, net					79,129	79,129
Capital assets, net					5,908,439	5,908,439
Total Assets	<u>\$ 246,287</u>	<u>\$ 3,381,702</u>	<u>\$ 164,636</u>	<u>\$ 3,792,625</u>	<u>5,987,568</u>	<u>9,780,193</u>
Deferred Outflows of Resources						
Deferred difference on refunding					1,399,279	1,399,279
Liabilities						
Accounts payable	\$ 5,044	\$ -	\$ 1,005	\$ 6,049		6,049
Other payables		34		34		34
Accrued interest payable					355,065	355,065
Due to developer					1,957,796	1,957,796
Long-term debt						
Due within one year					1,555,000	1,555,000
Due after one year					29,126,626	29,126,626
Total Liabilities	<u>5,044</u>	<u>34</u>	<u>1,005</u>	<u>6,083</u>	<u>32,994,487</u>	<u>33,000,570</u>
Deferred Inflows of Resources						
Deferred property taxes	2,810	6,165		8,975	(8,975)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	3,962			3,962	(3,962)	
Restricted		3,375,503	163,631	3,539,134	(3,539,134)	
Unassigned	234,471			234,471	(234,471)	
Total Fund Balances	<u>238,433</u>	<u>3,375,503</u>	<u>163,631</u>	<u>3,777,567</u>	<u>(3,777,567)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 246,287</u>	<u>\$ 3,381,702</u>	<u>\$ 164,636</u>	<u>\$ 3,792,625</u>		
Net Position						
Net investment in capital assets					(1,029,849)	(1,029,849)
Restricted for debt service					3,026,603	3,026,603
Unrestricted					(23,817,852)	(23,817,852)
Total Net Position					<u>\$ (21,821,098)</u>	<u>\$ (21,821,098)</u>

See notes to basic financial statements.

Fort Bend County Municipal Utility District No. 137

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	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 1,002,531	\$ 1,770,382	\$ -	\$ 2,772,913	\$ (655)	\$ 2,772,258
Penalties and interest		8,128		8,128	(68)	8,060
City of Sugar Land tax rebates		933,513		933,513		933,513
Accrued interest on bonds sold		1,337		1,337	(1,337)	
Investment revenue	2,789	6,334	36	9,159		9,159
Total Revenues	<u>1,005,320</u>	<u>2,719,694</u>	<u>36</u>	<u>3,725,050</u>	<u>(2,060)</u>	<u>3,722,990</u>
Expenditures/Expenses						
Operating and administrative						
Professional fees	74,292		44,369	118,661		118,661
Contracted services	12,900	42,245		55,145		55,145
Administrative	18,552	3,426		21,978		21,978
Other	1,329	15,000		16,329		16,329
Capital outlay	810,523		1,630,693	2,441,216	(2,441,216)	
Debt service						
Principal		1,345,000		1,345,000	(1,345,000)	
Interest and fees	24,699	1,052,108	89,031	1,165,838	91,954	1,257,792
Debt issuance costs			141,982	141,982		141,982
Amortization					211,015	211,015
Total Expenditures/Expenses	<u>942,295</u>	<u>2,457,779</u>	<u>1,906,075</u>	<u>5,306,149</u>	<u>(3,483,247)</u>	<u>1,822,902</u>
Revenues Over (Under)						
Expenditures/Expenses	63,025	261,915	(1,906,039)	(1,581,099)	3,481,187	1,900,088
Other Financing Sources/(Uses)						
Proceeds from sale of bonds			2,085,000	2,085,000	(2,085,000)	
Bond discount			(15,330)	(15,330)	15,330	
Other Items						
Transfers to other governments					(3,561,205)	(3,561,205)
Net Change in Fund Balances	63,025	261,915	163,631	488,571	(488,571)	
Change in Net Position					(1,661,117)	(1,661,117)
Fund Balance/Net Position						
Beginning of the year	175,408	3,113,588		3,288,996	(23,448,977)	(20,159,981)
End of the year	<u>\$ 238,433</u>	<u>\$ 3,375,503</u>	<u>\$ 163,631</u>	<u>\$ 3,777,567</u>	<u>\$ (25,598,665)</u>	<u>\$ (21,821,098)</u>

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. 137 (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 July 3, 2007.

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 for operation and maintenance 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 three governmental funds, which are all 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 sources of revenue for debt service are property taxes and tax rebates from the City of Sugar Land. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer, drainage and road facilities.

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, interest earned on investments, 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.

Prepaid Bond Insurance

Prepaid bond insurance reduces the District’s borrowing costs and is, therefore, recorded as asset in the government-wide *Statement of Net Position* and amortized to interest expense over the life of the bonds.

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.

Depreciable capital assets, which primarily consist of impact fees and Master District connection fees, are amortized using the straight-line method as follows:

Assets	Useful Life
Impact fees	40 years [max]
Master District connection fees	40 years [max]

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

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

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

Deferred outflows of financial resources at the government-wide level are from refunding bond transactions in which the amounts required to repay the old debt exceeded the net carrying amount of the old debt. These amounts are being amortized to interest expense.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District'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 unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service and City of Sugar Land tax rebates 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.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectibility of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to the City of Sugar Land 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.

Fort Bend County Municipal Utility District No. 137
Notes to Basic Financial Statements
June 30, 2017

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$ 3,777,567	
Prepaid bond insurance cost is recorded as an expenditure at the fund level, but is recorded as a prepaid asset and amortized to interest expense over the life of the bonds in the government wide statements.		79,129
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 8,142,113	
Less accumulated amortization	<u>(2,233,674)</u>	
Change due to capital assets		5,908,439
The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the <i>Statement of Net Position</i> and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.		1,399,279
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	(30,681,626)	
Interest payable on bonds	<u>(355,065)</u>	
Change due to long-term debt		(31,036,691)
Amounts due to the District's developer for prefunded construction is recorded as a liability in the <i>Statement of Net Position</i> .		(1,957,796)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		
Property taxes receivable	7,779	
Penalty and interest receivable	<u>1,196</u>	
Change due to property taxes		8,975
Total net position - governmental activities		<u><u>\$ (21,821,098)</u></u>

Fort Bend County Municipal Utility District No. 137
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	\$	488,571
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest.

	(723)
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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*, impact fees paid to the City of Sugar Land and Master District connection charges are capitalized and charged to expense over the remaining life of the contract. Other assets are recorded as transfers to other governments.

Capital outlays	\$ 2,441,216	
Transfers to other governments	(3,561,205)	
Amortization expense	<u>(211,015)</u>	
		(1,331,004)

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	1,345,000	
Interest expense accrual	(93,291)	
Issuance of long term debt	(2,085,000)	
Bond discount	<u>15,330</u>	
		(817,961)

Change in net position of governmental activities	\$	<u><u>(1,661,117)</u></u>
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Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of June 30, 2017, the District’s investments consist of the following:

<u>Type</u>	<u>Fund</u>	<u>Carrying Value</u>	<u>Percentage of Total</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
Certificates of deposit	Debt Service	\$ 559,363	73.83%	N/A	N/A
TexSTAR	General	198,280	26.17%	AAAm	47 days
Total		<u>\$ 757,643</u>	<u>100.00%</u>		

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

Note 3 – Deposits and Investments (continued)

TexSTAR

The District participates in Texas Short Term Asset Reserve fund (TexSTAR) which is managed by First Southwest, a division of Hilltop Securities, Inc., and J.P. Morgan Investment Management, Inc. First Southwest provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

The District’s investment in TexSTAR is reported at fair value because TexSTAR uses fair value to report investments. Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District’s investment in TexSTAR is measured using published fair value per share (level 1 inputs).

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

Investment Credit and Interest Rate Risk

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

Note 4 – Amounts Due to/from Other Funds

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

	Interfund	
	Receivable	Payable
General Fund	\$ -	\$ 197
Debt Service Fund	197	
	<u>\$ 197</u>	<u>\$ 197</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. 137
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			
Master District connection fees	\$ 1,162,763	\$ -	\$ 1,162,763
Impact fees	6,979,350		6,979,350
	<u>8,142,113</u>		<u>8,142,113</u>
Less accumulated amortization			
Master District connection fees	(287,234)	(30,189)	(317,423)
Impact fees	(1,735,425)	(180,826)	(1,916,251)
	<u>(2,022,659)</u>	<u>(211,015)</u>	<u>(2,233,674)</u>
Capital assets, net	<u>\$ 6,119,454</u>	<u>\$ (211,015)</u>	<u>\$ 5,908,439</u>

Amortization expense for the current year was \$211,015.

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 are as follows:

Due to developer, beginning of year	\$ 837,807
Developer funded construction and adjustments	3,524,191
Amounts paid to developer	<u>(2,404,202)</u>
Due to developer, end of year	<u>\$ 1,957,796</u>

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 30,655,000
Unamortized discounts	(378,837)
Unamortized premium	405,463
	<u>\$ 30,681,626</u>
Due within one year	<u>\$ 1,555,000</u>

Fort Bend County Municipal Utility District No. 137
Notes to Basic Financial Statements
June 30, 2017

Note 7 – Long–Term Deb (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
2008	\$ 255,000	\$ 7,980,000	4.00% - 6.00%	September 1, 2009/2017	September 1, March 1	September 1, 2017
2009	3,775,000	5,240,000	4.25% - 6.25%	September 1, 2010/2034	September 1, March 1	September 1, 2018
2011	3,900,000	5,000,000	3.60% - 5.125%	September 1, 2012/2034	September 1, March 1	September 1, 2019
2012	1,980,000	2,430,000	2.75% - 3.375%	September 1, 2013/2034	September 1, March 1	September 1, 2020
2014 Refunding	7,450,000	7,715,000	2.00% - 4.125%	September 1, 2014/2032	September 1, March 1	September 1, 2021
2016 Refunding	11,210,000	11,230,000	2.00% - 4.00%	September 1, 2016/2032	September 1, March 1	September 1, 2022
2017	2,085,000	2,085,000	2.00% - 3.125%	September 1, 2017/2034	September 1, March 1	September 1, 2024
	<u>\$ 30,655,000</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 \$45,000,000 for water, sewer and drainage facilities; \$7,000,000 for park and recreational facilities; \$19,500,000 for roads; and \$51,221,589 for refunding purposes.

On May 10, 2017, the District issued its \$2,085,000 Series 2017 Unlimited Tax Bonds at a net effective interest rate of 2.910217%. Proceeds of the bonds were used to reimburse the developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds.

Fort Bend County Municipal Utility District No. 137
Notes to Basic Financial Statements
June 30, 2017

Note 7 – Long-Term Debt (continued)

The 2016 Series Refunding bonds were issued to advance refund portions of the District’s Series 2008 bonds. Since a portion of these bonds were not yet subject to redemption, the District defeased them by placing proceeds of the bonds in an escrow account with an escrow agent and irrevocably pledging the escrow account to the payment of future debt service payments. Accordingly, the defeased bonds are not included in the District’s financial statements. At June 30, 2017, the outstanding principal of the defeased bonds is \$6,135,000, which have a redemption date of September 1, 2017.

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

Bonds payable, beginning of year	\$ 29,915,000
Bonds issued	2,085,000
Bonds retired	<u>(1,345,000)</u>
Bonds payable, end of year	<u><u>\$ 30,655,000</u></u>

As of June 30, 2016, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2018	\$ 1,555,000	\$ 1,044,581	\$ 2,599,581
2019	1,620,000	995,848	2,615,848
2020	1,640,000	943,196	2,583,196
2021	1,675,000	893,438	2,568,438
2022	1,705,000	843,367	2,548,367
2023	1,740,000	789,870	2,529,870
2024	1,770,000	737,168	2,507,168
2025	1,800,000	686,568	2,486,568
2026	1,825,000	632,297	2,457,297
2027	1,855,000	568,062	2,423,062
2028	1,900,000	494,480	2,394,480
2029	1,955,000	417,238	2,372,238
2030	2,000,000	337,524	2,337,524
2031	2,055,000	255,479	2,310,479
2032	2,105,000	175,509	2,280,509
2033	2,160,000	97,032	2,257,032
2034	650,000	42,601	692,601
2035	645,000	14,160	659,160
	<u><u>\$ 30,655,000</u></u>	<u><u>\$ 9,968,418</u></u>	<u><u>\$ 40,623,418</u></u>

Fort Bend County Municipal Utility District No. 137
Notes to Basic Financial Statements
June 30, 2017

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, and on May 12, 2007, the voters authorized an additional \$0.25 per \$100 of assessed value for road maintenance. 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 Central Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2017 fiscal year was financed through the 2016 tax levy, pursuant to which the District levied property taxes of \$0.415 per \$100 of assessed value, of which \$0.15 was allocated to maintenance and operations and \$0.265 was allocated to debt service. The resulting tax levy was \$2,772,474 on the adjusted taxable value of \$668,066,010.

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

Current year taxes receivable	\$	7,531
Prior years taxes receivable		248
		7,779
Penalty and interest receivable		1,196
Property taxes receivable	\$	8,975

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 and drainage 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 \$3,561,205.

Note 10 – Master District

On October 10, 2005, the District entered into a contract (the “Contract”) with Fort Bend County Municipal Utility District No. 136 (the “Master District”) to construct certain regional water, sewer and drainage improvements within the Telfair master planned community. The District is obligated to pay a pro-rata share of the costs of these regional improvements as a capital recovery charge (the “Master District Connection Charge”).

Note 10 – Master District (continued)

The Master District Connection Charge is set by the Master District and may be amended with the District's consent at any time. Due to the adoption of the Agreement (described below), the Master District will no longer collect these connection charges.

On August 8, 2016, the District entered into a Cost Sharing Agreement for Construction of Facilities (the "Agreement") with the Master District, Fort Bend County Municipal Utility District No. 138 and Fort Bend County Municipal Utility District No. 139 (the "Participating Districts"). Pursuant to the Agreement, costs associated with the construction of certain shared facilities to serve the Telfair master planned community have been 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 Telfair's developer for the construction of the facilities and will assume responsibility for reimbursing the developer in accordance with the reallocation of costs. Due to the adoption of the Agreement (described below), the Master District will no longer collect these connection charges.

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

On August 8, 2005, the District entered into a utility agreement with the City of Sugar Land (the "City") for construction and extension of water distribution lines, sanitary sewer collection systems and drainage facilities to serve the District. As the system is acquired or constructed, the District shall transfer the system to the City but will reserve a security interest in the system and provide service to all users in the District. The term of the agreement is 40 years.

Water and sewer rates charged by the City to users in the District, shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City.

The City is obligated to pay the District the 50% of the ad valorem taxes collected by the City on property within the District after deducting the costs of collection. During the current year, the District recognized \$933,513 in revenue from tax rebates 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.

Required Supplementary Information

Fort Bend County Municipal Utility District No. 137

Required Supplementary Information - Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 900,000	\$ 900,000	\$ 1,002,531	\$ 102,531
Investment earnings	3,000	3,000	2,789	(211)
Total Revenues	<u>903,000</u>	<u>903,000</u>	<u>1,005,320</u>	<u>102,320</u>
Expenditures				
Operating and administrative				
Professional fees	77,000	77,000	74,292	2,708
Contracted services	13,000	13,000	12,900	100
Administrative	22,080	22,080	18,552	3,528
Other	500	500	1,329	(829)
Capital outlay	790,420		810,523	(810,523)
Debt service				
Interest and fees			24,699	(24,699)
Total Expenditures	<u>903,000</u>	<u>112,580</u>	<u>942,295</u>	<u>(829,715)</u>
Revenues Over Expenditures		790,420	63,025	(727,395)
Fund Balance				
Beginning of the year	175,408	175,408	175,408	
End of the year	<u>\$ 175,408</u>	<u>\$ 965,828</u>	<u>\$ 238,433</u>	<u>\$ (727,395)</u>

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the year to reflect changes in anticipated expenditures.

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Texas Supplementary Information

Fort Bend County Municipal Utility District No. 137
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 is 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):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
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:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
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. 137
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. 137
 TSI-2 General Fund Expenditures
 For the Year Ended June 30, 2017*

Professional fees		
Legal	\$	55,881
Audit		11,600
Engineering		6,811
		<u>74,292</u>
Contracted services		
Bookkeeping		<u>12,900</u>
Administrative		
Directors fees		8,850
Printing and office supplies		824
Insurance		3,868
Other		5,010
		<u>18,552</u>
Other		<u>1,329</u>
Capital outlay		<u>810,523</u>
Interest and fees		<u>24,699</u>
Total expenditures	\$	<u><u>942,295</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. 137
TSI-3. Investments
June 30, 2017

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Interest Receivable</u>
General					
TexSTAR	1013022220	Variable	N/A	\$ 198,280	\$ -
Debt Service					
Certificate of deposit	13113	0.40%	07/10/17	211,380	399
Certificate of deposit	1852001485	0.75%	08/09/17	100,045	668
Certificate of deposit	1002680790	1.00%	04/01/18	247,938	611
				<u>559,363</u>	<u>1,678</u>
Total - All Funds				<u>\$ 757,643</u>	<u>\$ 1,678</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 137
TSI-4. Taxes Levied and Receivable
June 30, 2017

	Maintenance Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 3,012	\$ 5,421	\$ 8,433
Adjustments	58	107	165
Adjusted Receivable	3,070	5,528	8,598
2016 Original Tax Levy	926,663	1,637,105	2,563,768
Adjustments	75,436	133,270	208,706
Adjusted Tax Levy	1,002,099	1,770,375	2,772,474
Total to be accounted for	1,005,169	1,775,903	2,781,072
Tax collections:			
Current year	999,377	1,765,566	2,764,943
Prior years	2,982	5,368	8,350
Total Collections	1,002,359	1,770,934	2,773,293
Taxes Receivable, End of Year	\$ 2,810	\$ 4,969	\$ 7,779
Taxes Receivable, By Years			
2016	\$ 2,722	\$ 4,809	\$ 7,531
2015	88	160	248
Taxes Receivable, End of Year	\$ 2,810	\$ 4,969	\$ 7,779

	2016	2015	2014	2013
Property Valuations:				
Land	\$ 160,658,371	\$ 158,194,561	\$ 150,823,091	\$ 146,373,651
Improvements	524,272,970	476,494,400	415,879,580	366,609,510
Personal Property	1,370,083	1,404,500	3,919,450	2,579,220
Exemptions	(18,235,414)	(18,263,774)	(19,599,932)	(15,619,338)
Total Property Valuations	\$ 668,066,010	\$ 617,829,687	\$ 551,022,189	\$ 499,943,043
Tax Rates per \$100 Valuation:				
Maintenance tax rates (1)	\$ 0.150	\$ 0.150	\$ 0.100	\$ 0.100
Debt service tax rates	0.265	0.270	0.330	0.380
Total Tax Rates per \$100 Valuation	\$ 0.415	\$ 0.420	\$ 0.430	\$ 0.480
Adjusted Tax Levy:	\$ 2,772,474	\$ 2,594,885	\$ 2,369,395	\$ 2,399,727
Percentage of Taxes Collected to Taxes Levied **	99.73%	99.99%	100.00%	100.00%

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

* Maximum Road 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 operations. No road maintenance tax levied as of June 30, 2017.

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 137
 TSI-5. Long-Term Debt Service Requirements
 Series 2008--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	\$ 255,000	\$ 6,375	\$ 261,375

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 137
TSI-5. Long-Term Debt Service Requirements
Series 2009--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	\$ 210,000	\$ 170,013	\$ 380,013
2019	210,000	156,889	366,889
2020	210,000	145,863	355,863
2021	210,000	136,939	346,939
2022	210,000	128,014	338,014
2023	210,000	119,088	329,088
2024	210,000	110,163	320,163
2025	210,000	101,239	311,239
2026	210,000	92,209	302,209
2027	210,000	83,074	293,074
2028	210,000	73,781	283,781
2029	210,000	64,331	274,331
2030	210,000	54,750	264,750
2031	210,000	45,038	255,038
2032	210,000	35,325	245,325
2033	210,000	25,350	235,350
2034	210,000	15,113	225,113
2035	205,000	4,997	209,997
	<u>\$ 3,775,000</u>	<u>\$ 1,562,176</u>	<u>\$ 5,337,176</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 137
 TSI-5. Long-Term Debt Service Requirements
 Series 2011--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	\$ 220,000	\$ 173,346	\$ 393,346
2019	220,000	162,346	382,346
2020	220,000	151,346	371,346
2021	220,000	141,886	361,886
2022	220,000	133,966	353,966
2023	220,000	125,606	345,606
2024	215,000	116,906	331,906
2025	215,000	107,903	322,903
2026	215,000	98,497	313,497
2027	215,000	88,956	303,956
2028	215,000	79,281	294,281
2029	215,000	69,338	284,338
2030	215,000	59,125	274,125
2031	215,000	48,778	263,778
2032	215,000	38,297	253,297
2033	215,000	27,547	242,547
2034	215,000	16,528	231,528
2035	215,000	5,510	220,510
	<u>\$ 3,900,000</u>	<u>\$ 1,645,162</u>	<u>\$ 5,545,162</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 137
TSI-5. Long-Term Debt Service Requirements
Series 2012--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	\$ 110,000	\$ 58,575	\$ 168,575
2019	110,000	55,275	165,275
2020	110,000	51,975	161,975
2021	110,000	48,675	158,675
2022	110,000	45,512	155,512
2023	110,000	42,488	152,488
2024	110,000	39,462	149,462
2025	110,000	36,438	146,438
2026	110,000	33,275	143,275
2027	110,000	29,975	139,975
2028	110,000	26,675	136,675
2029	110,000	23,375	133,375
2030	110,000	20,006	130,006
2031	110,000	16,569	126,569
2032	110,000	12,994	122,994
2033	110,000	9,281	119,281
2034	110,000	5,569	115,569
2035	110,000	1,856	111,856
	<u>\$ 1,980,000</u>	<u>\$ 557,975</u>	<u>\$ 2,537,975</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 137
 TSI-5. Long-Term Debt Service Requirements
 Series 2014 Refunding--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	\$ 120,000	\$ 244,050	\$ 364,050
2019	415,000	238,700	653,700
2020	420,000	230,350	650,350
2021	430,000	221,850	651,850
2022	435,000	212,113	647,113
2023	445,000	200,000	645,000
2024	460,000	186,425	646,425
2025	470,000	172,475	642,475
2026	485,000	157,241	642,241
2027	495,000	140,394	635,394
2028	505,000	121,631	626,631
2029	525,000	101,031	626,031
2030	540,000	79,731	619,731
2031	555,000	57,831	612,831
2032	565,000	35,431	600,431
2033	585,000	12,066	597,066
	<u>\$ 7,450,000</u>	<u>\$ 2,411,319</u>	<u>\$ 9,861,319</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 137
TSI-5. Long-Term Debt Service Requirements
Series 2016 Refunding--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	\$ 545,000	\$ 348,600	\$ 893,600
2019	545,000	332,250	877,250
2020	560,000	315,675	875,675
2021	585,000	298,500	883,500
2022	610,000	280,575	890,575
2023	635,000	261,900	896,900
2024	655,000	245,825	900,825
2025	675,000	232,525	907,525
2026	690,000	218,013	908,013
2027	710,000	196,050	906,050
2028	745,000	166,950	911,950
2029	780,000	136,450	916,450
2030	810,000	104,650	914,650
2031	850,000	71,450	921,450
2032	890,000	41,100	931,100
2033	925,000	13,875	938,875
	<u>\$ 11,210,000</u>	<u>\$ 3,264,388</u>	<u>\$ 14,474,388</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 137
TSI-5. Long-Term Debt Service Requirements
Series 2017--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	\$ 95,000	\$ 43,622	\$ 138,622
2019	120,000	50,388	170,388
2020	120,000	47,987	167,987
2021	120,000	45,588	165,588
2022	120,000	43,187	163,187
2023	120,000	40,788	160,788
2024	120,000	38,387	158,387
2025	120,000	35,988	155,988
2026	115,000	33,062	148,062
2027	115,000	29,613	144,613
2028	115,000	26,162	141,162
2029	115,000	22,713	137,713
2030	115,000	19,262	134,262
2031	115,000	15,813	130,813
2032	115,000	12,362	127,362
2033	115,000	8,913	123,913
2034	115,000	5,391	120,391
2035	115,000	1,797	116,797
	<u>\$ 2,085,000</u>	<u>\$ 521,023</u>	<u>\$ 2,606,023</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 137
 TSI-5. Long-Term Debt Service Requirements
 All Bonded Debt Series--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	\$ 1,555,000	\$ 1,044,581	\$ 2,599,581
2019	1,620,000	995,848	2,615,848
2020	1,640,000	943,196	2,583,196
2021	1,675,000	893,438	2,568,438
2022	1,705,000	843,367	2,548,367
2023	1,740,000	789,870	2,529,870
2024	1,770,000	737,168	2,507,168
2025	1,800,000	686,568	2,486,568
2026	1,825,000	632,297	2,457,297
2027	1,855,000	568,062	2,423,062
2028	1,900,000	494,480	2,394,480
2029	1,955,000	417,238	2,372,238
2030	2,000,000	337,524	2,337,524
2031	2,055,000	255,479	2,310,479
2032	2,105,000	175,509	2,280,509
2033	2,160,000	97,032	2,257,032
2034	650,000	42,601	692,601
2035	645,000	14,160	659,160
	<u>\$ 30,655,000</u>	<u>\$ 9,968,418</u>	<u>\$ 40,623,418</u>

See accompanying auditors' report.

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Fort Bend County Municipal Utility District No. 137
TSI-6. Change in Long-Term Bonded Debt
June 30, 2017

	Bond Issue			
	Series 2007	Series 2008	Series 2008A	Series 2009
Interest rate	4.25% - 6.25%	4.00% - 6.00%	6.00% - 6.25%	4.25% - 6.25%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/08 - 9/1/16	9/1/09 - 9/1/17	9/1/09 - 9/1/16	9/1/10 - 9/1/34
Beginning bonds outstanding	\$ 165,000	\$ 495,000	\$ 265,000	\$ 3,985,000
Bonds issued				
Bonds retired	(165,000)	(240,000)	(265,000)	(210,000)
Ending bonds outstanding	<u>\$ -</u>	<u>\$ 255,000</u>	<u>\$ -</u>	<u>\$ 3,775,000</u>
Interest paid during fiscal year	<u>\$ 5,156</u>	<u>\$ 18,750</u>	<u>\$ 7,950</u>	<u>\$ 183,139</u>
Paying agent's name and city				
Series 2007, 2008, 2008A, 2009 and 2011		<u>Wells Fargo Bank - Houston, Texas</u>		
Series 2012, 2014, 2016 and 2017		<u>Bank of New York - Dallas, Texas</u>		
Bond Authority:	Water, Sewer and Drainage Bonds	Park Bonds	Road Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 81,800,000	\$ 7,000,000	\$ 19,500,000	\$ 53,100,000
Amount Issued	(36,800,000)			(1,878,411)
Remaining To Be Issued	<u>\$ 45,000,000</u>	<u>\$ 7,000,000</u>	<u>\$ 19,500,000</u>	<u>\$ 51,221,589</u>

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

Debt Service Fund cash and investments balances as of June 30, 2017: \$ 3,373,662

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 2,256,857

See accompanying auditors' report.

Bond Issue					
Series 2011	Series 2012	Series 2014 Refunding	Series 2016 Refunding	Series 2017	Totals
3.60% - 5.125% 9/1; 3/1 9/1/12 - 9/1/34	2.75% - 3.375% 9/1; 3/1 9/1/13 - 9/1/34	2.00% - 4.125% 9/1; 3/1 9/1/14 - 9/1/32	2.00% - 4.00% 9/1; 3/1 9/1/16 - 9/1/32	2.00% - 3.125% 9/1; 3/1 9/1/17 - 9/1/34	
\$ 4,120,000	\$ 2,090,000	\$ 7,565,000	\$ 11,230,000	\$ -	\$ 29,915,000
				2,085,000	2,085,000
<u>(220,000)</u>	<u>(110,000)</u>	<u>(115,000)</u>	<u>(20,000)</u>		<u>(1,345,000)</u>
<u>\$ 3,900,000</u>	<u>\$ 1,980,000</u>	<u>\$ 7,450,000</u>	<u>\$ 11,210,000</u>	<u>\$ 2,085,000</u>	<u>\$ 30,655,000</u>
<u>\$ 184,346</u>	<u>\$ 61,875</u>	<u>\$ 246,400</u>	<u>\$ 357,075</u>	<u>\$ -</u>	<u>\$ 1,064,691</u>

Fort Bend County Municipal Utility District No. 137
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	\$ 1,002,531	\$ 926,968	\$ 548,870	\$ 500,666	\$ 471,386
Investment earnings	2,789	1,833	3,261	2,063	870
Total Revenues	1,005,320	928,801	552,131	502,729	472,256
Expenditures					
Operating and administrative					
Professional fees	74,292	88,722	59,231	78,537	75,461
Contracted services	12,900	12,900	12,900	13,000	12,600
Administrative	18,552	17,857	19,400	21,419	20,454
Other	1,329		36,399		
Capital outlay	810,523	1,634,091		222,061	
Interest and fees	24,699	188,766			
Total Expenditures	942,295	1,942,336	127,930	335,017	108,515
Revenues Over (Under) Expenditures	\$ 63,025	\$ (1,013,535)	\$ 424,201	\$ 167,712	\$ 363,741

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2017	2016	2015	2014	2013
100%	100%	99%	100%	100%
*	*	1%	*	*
100%	100%	100%	100%	100%
7%	10%	11%	16%	16%
1%	1%	2%	3%	3%
2%	2%	4%	4%	4%
*		7%		
81%	176%		44%	
2%	20%			
93%	209%	24%	67%	23%
7%	(109%)	76%	33%	77%

Fort Bend County Municipal Utility District No. 137

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	\$ 1,770,382	\$ 1,673,526	\$ 1,810,752	\$ 1,903,733	\$ 2,079,563
Penalties and interest	8,128	10,348	5,250	7,007	6,198
City of Sugar Land tax rebates	933,513	878,784	845,112	651,096	405,741
Accrued interest on bonds sold	1,337			17,399	3,481
Investment earnings	6,334	5,494	5,433	8,222	11,186
Total Revenues	<u>2,719,694</u>	<u>2,568,152</u>	<u>2,666,547</u>	<u>2,587,457</u>	<u>2,506,169</u>
Expenditures					
Tax collection services	45,671	47,549	42,807	41,222	40,527
Other	15,000		5,000	10,000	5,000
Debt service					
Principal	1,345,000	1,290,000	1,175,000	1,105,000	960,000
Interest and fees	1,052,108	1,329,388	1,390,731	1,642,816	1,644,762
Debt issuance cost		320,912		221,393	
Total Expenditures	<u>2,457,779</u>	<u>2,987,849</u>	<u>2,613,538</u>	<u>3,020,431</u>	<u>2,650,289</u>
Revenues Over/(Under) Expenditures	<u>\$ 261,915</u>	<u>\$ (419,697)</u>	<u>\$ 53,009</u>	<u>\$ (432,974)</u>	<u>\$ (144,120)</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2017	2016	2015	2014	2013
66%	66%	68%	74%	84%
*	*	*	*	*
34%	34%	32%	25%	16%
*			1 ⁰ %	*
*	*	*	*	*
100%	100%	100%	100%	100%
2%	2%	2%	2%	2%
1%		*	*	*
49%	50%	44%	43%	38%
39%	52%	52%	63%	66 ⁰ %
	12%		9%	
91%	116%	98%	117%	106%
9%	(16%)	2%	(17%)	(6%)

Fort Bend County Municipal Utility District No. 137
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, TX 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				
Vicki Warren	5/14 to 5/18	\$ 2,850	\$ 2,908	President
Mary G. Brindley	5/16 to 5/20	1,350	242	Vice President
Jill W. Ross	5/16 to 5/20	1,800	271	Secretary
Susan E. Weaver	5/16 to 5/20	1,350	97	Assistant Secretary
Christopher Malone	5/14 to 5/18	1,500	237	Assistant Vice President
Consultants				
		<u>Amounts Paid</u>		
Allen Boone Humphries Robinson LLP	2005			Attorney
<i>General legal fees</i>		\$ 56,962		
<i>Bond counsel</i>		65,787		Operator
Myrtle Cruz, Inc.	2005	18,173		Bookkeeper
Tax Tech, Inc.	2005	25,594		Tax Collector
Fort Bend Central Appraisal District	Legislation	17,710		Property Valuation
Perdue, Brandon, Fielder, Collins, and Mott, LLP	2006	1,284		Delinquent Tax Attorney
LJA Engineering, Inc.	2016	42,162		Engineer
McGrath & Co., PLLC	Annual	17,850		Auditor
FirstSouthwest, a Division of Hilltop Securities	2005	46,815		Financial Advisor

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