

**FORT BEND COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 138**

**FORT BEND COUNTY, TEXAS**

**FINANCIAL REPORT**

**June 30, 2019**



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# McGRATH & CO., PLLC

*Certified Public Accountants*  
2500 Tanglewilde, Suite 340  
Houston, Texas 77063

## Independent Auditors' Report

Board of Directors  
Fort Bend County Municipal Utility District No. 138  
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. 138, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these 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. 138  
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 of Fort Bend County Municipal Utility District No. 138, as of June 30, 2019, 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**

*Required Supplementary Information*

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 to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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, LLC*

Houston, Texas  
October 14, 2019

## **Management's Discussion and Analysis**

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***Fort Bend County Municipal Utility District No. 138  
Management's Discussion and Analysis  
June 30, 2019***

**Using this Annual Report**

Within this section of the financial report of Fort Bend County Municipal Utility District No. 138 (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, 2019. 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. 138**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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, 2019, was negative \$27,774,864. The District's net position is negative because the District incurs debt to construct water, sewer, drainage and road facilities which it conveys to the City of Sugar Land. A comparative summary of the District's overall financial position, as of June 30, 2019 and 2018, is as follows:

	2019	2018
Current and other assets	\$ 6,252,383	\$ 5,742,299
Capital assets	5,389,799	5,606,425
Total assets	<u>11,642,182</u>	<u>11,348,724</u>
 Total deferred outflows of resources	 <u>1,417,877</u>	 <u>1,461,115</u>
 Current liabilities	 2,779,688	 2,844,039
Long-term liabilities	38,055,235	40,220,531
Total liabilities	<u>40,834,923</u>	<u>43,064,570</u>
 Net position		
Net investment in capital assets	(1,301,793)	(2,376,061)
Restricted	4,120,933	4,347,585
Unrestricted	<u>(30,594,004)</u>	<u>(32,226,255)</u>
Total net position	<u>\$ (27,774,864)</u>	<u>\$ (30,254,731)</u>

**Fort Bend County Municipal Utility District No. 138**  
**Management's Discussion and Analysis**  
**June 30, 2019**

The total net position of the District increased during the current fiscal year by \$2,479,867. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2019	2018
Revenues		
Property taxes, penalties and interest	\$ 3,500,340	\$ 3,351,807
City of Sugar Land tax rebates	1,077,062	1,166,763
Other	50,284	19,604
Total revenues	<u>4,627,686</u>	<u>4,538,174</u>
Expenses		
Operating and administrative	182,681	221,125
Debt interest and fees	1,439,371	1,438,425
Developer interest		422
Debt issuance costs	123,890	130,363
TIRZ payments	174,770	141,912
Amortization	216,626	216,626
Total expenses	<u>2,137,338</u>	<u>2,148,873</u>
Change in net position before other items	2,490,348	2,389,301
Other items		
Transfers to other governments		(868,164)
Change in estimate of due to developer	<u>(10,481)</u>	
Change in net position	2,479,867	1,521,137
Net position, beginning of year	<u>(30,254,731)</u>	<u>(31,775,868)</u>
Net position, end of year	<u>\$ (27,774,864)</u>	<u>\$ (30,254,731)</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances, as of June 30, 2019, were \$4,924,540, which consists of \$492,468 in the General Fund and \$4,432,072 in the Debt Service Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of June 30, 2019 and 2018 is as follows:

	2019	2018
Total assets	<u>\$ 1,591,381</u>	<u>\$ 762,155</u>
Total liabilities	\$ 1,073,817	\$ 6,575
Total deferred inflows	25,096	12,772
Total fund balance	<u>492,468</u>	<u>742,808</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,591,381</u>	<u>\$ 762,155</u>

***Fort Bend County Municipal Utility District No. 138  
Management's Discussion and Analysis  
June 30, 2019***

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 1,113,736	\$ 903,059
Total expenditures	<u>(1,364,076)</u>	<u>(320,903)</u>
Revenues over/(under) expenditures	(250,340)	582,156
Other changes in fund balance		10,185
Net change in fund balance	<u>\$ (250,340)</u>	<u>\$ 592,341</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 City of Sugar Land rebates. 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 the District increased the maintenance and operations component of the levy and assessed values increased from prior year.
- City of Sugar Land tax rebates in the General Fund are based on the portion of the TIRZ payment that the District owes the City. See Note 11 for additional information.

During the current year, the District received approval from the Texas Commission on Environmental Quality to use \$1,062,522 in surplus general operating funds from maintenance tax revenue to reimburse its developers for the cost of certain assets. See Note 13 for additional information.

*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 4,534,807</u>	<u>\$ 4,845,049</u>
Total liabilities	\$ 634	\$ 30,605
Total deferred inflows	102,101	66,440
Total fund balance	<u>4,432,072</u>	<u>4,748,004</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 4,534,807</u>	<u>\$ 4,845,049</u>

**Fort Bend County Municipal Utility District No. 138**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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

	2019	2018
Total revenues	\$ 3,465,965	\$ 3,589,787
Total expenditures	<u>(3,937,752)</u>	<u>(3,956,596)</u>
Revenues under expenditures	(471,787)	(366,809)
Other changes in fund balance	<u>155,855</u>	<u>135,392</u>
Net change in fund balance	<u>\$ (315,932)</u>	<u>\$ (231,417)</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 resulted in a decrease 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.

During the current year, the District issued \$2,685,000 in refunding bonds to refund \$2,540,000 of outstanding Series 2011 road bonds and save \$191,206 in future debt service payments. In the prior year, the District issued \$2,885,000 in refunding bonds to refund \$2,850,000 of outstanding Series 2009A bonds and save \$196,834 in future debt service payments.

**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.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$1,018,090 less than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

**Fort Bend County Municipal Utility District No. 138**  
**Management's Discussion and Analysis**  
**June 30, 2019**

**Capital Assets**

Capital assets held by the District at June 30, 2019 and 2018 are summarized as follows:

	2019	2018
Capital assets being amortized		
Master District connection fees	\$ 1,087,085	\$ 1,087,085
Impact fees	6,476,798	6,476,798
	7,563,883	7,563,883
Less accumulated amortization		
Master District connection fees	(313,619)	(283,223)
Impact fees	(1,860,465)	(1,674,235)
	(2,174,084)	(1,957,458)
Capital assets, net	\$ 5,389,799	\$ 5,606,425

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. Additional information is presented in Note 10.

**Long-Term Debt and Related Liabilities**

As of June 30, 2019, the District owes \$1,068,003 to its developer for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The District reimbursed its developer from surplus operating funds subsequent to year end. See Note 13 for additional information.

At June 30, 2019 and 2018, the District had total bonded debt outstanding as shown below:

Series	2019	2018
2009	\$ -	\$ 280,000
2009A	410,000	615,000
2011 Road	110,000	2,755,000
2012	4,560,000	4,845,000
2013 Refunding	5,875,000	6,205,000
2014 Road	11,920,000	12,665,000
2015	2,230,000	2,370,000
2016 Refunding	8,285,000	8,520,000
2017 Refunding	2,870,000	2,885,000
2019 Refunding	2,685,000	
	\$ 38,945,000	\$ 41,140,000

**Fort Bend County Municipal Utility District No. 138**  
**Management's Discussion and Analysis**  
**June 30, 2019**

During the year, the District issued \$2,685,000 in unlimited tax refunding bonds. At June 30, 2019, the District had \$52,600,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$7,600,000 for parks and recreational facilities; \$19,425,000 for road improvements and \$54,412,275 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:

	<u>2019 Actual</u>	<u>2020 Budget</u>
Total revenues	\$ 1,113,736	\$ 920,000
Total expenditures	(1,364,076)	(136,000)
Revenues over/(under) expenditures	(250,340)	784,000
Beginning fund balance	742,808	492,468
Ending fund balance	<u>\$ 492,468</u>	<u>\$ 1,276,468</u>

**Property Taxes**

The District's property tax base increased approximately \$14,278,000 for the 2019 tax year from \$852,130,202 to \$866,407,729. This increase was primarily due to increased property values. For the 2019 tax year, the District has levied a maintenance tax rate of \$0.13 per \$100 of assessed value; a water, sewer, and drainage debt service tax rate of \$0.17 per \$100 of assessed value; and a road debt service tax rate of \$0.11 per \$100 of assessed value, for a total combined tax rate of \$0.41 per \$100. Tax rates for the 2018 tax year were \$0.1086 per \$100 for maintenance and operations; \$0.19 per \$100 for water, sewer, and drainage debt service; and \$0.11 per \$100 for road debt service, for a combined total of \$0.4086 per \$100 of assessed value.

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## **Basic Financial Statements**

**Fort Bend County Municipal Utility District No. 138**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**June 30, 2019**

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>					
Cash	\$1,167,968	\$2,796,235	\$3,964,203	\$ -	\$ 3,964,203
Investments	1,293,713	730,049	2,023,762		2,023,762
Taxes receivable	25,096	102,101	127,197		127,197
Prepaid items	3,175		3,175		3,175
Internal balances	(898,571)	898,571			
Accrued interest receivable		7,851	7,851		7,851
Prepaid bond insurance, net				126,195	126,195
Capital assets, net				5,389,799	5,389,799
<b>Total Assets</b>	<b>\$1,591,381</b>	<b>\$4,534,807</b>	<b>\$6,126,188</b>	<b>5,515,994</b>	<b>11,642,182</b>
<b>Deferred Outflows of Resources</b>					
Deferred difference on refunding				1,417,877	1,417,877
<b>Liabilities</b>					
Accounts payable	\$ 5,814	\$ -	\$ 5,814		5,814
Due to others		25	25		25
Accrued interest payable		609	609	413,240	413,849
Due to developers	1,068,003		1,068,003		1,068,003
Long-term debt					
Due within one year				2,360,000	2,360,000
Due after one year				36,987,232	36,987,232
<b>Total Liabilities</b>	<b>1,073,817</b>	<b>634</b>	<b>1,074,451</b>	<b>39,760,472</b>	<b>40,834,923</b>
<b>Deferred Inflows of Resources</b>					
Deferred property taxes	25,096	102,101	127,197	(127,197)	
<b>Fund Balances/Net Position</b>					
<b>Fund Balances</b>					
Nonspendable	3,175		3,175	(3,175)	
Restricted		4,432,072	4,432,072	(4,432,072)	
Unassigned	489,293		489,293	(489,293)	
<b>Total Fund Balances</b>	<b>492,468</b>	<b>4,432,072</b>	<b>4,924,540</b>	<b>(4,924,540)</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$1,591,381</b>	<b>\$4,534,807</b>	<b>\$6,126,188</b>		
<b>Net Position</b>					
Net investment in capital assets				(1,301,793)	(1,301,793)
Restricted for debt service				4,120,933	4,120,933
Unrestricted				(30,594,004)	(30,594,004)
<b>Total Net Position</b>				<b>\$ (27,774,864)</b>	<b>\$ (27,774,864)</b>

See notes to basic financial statements.

*Fort Bend County Municipal Utility District No. 138*  
*Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*  
*For the Year Ended June 30, 2019*

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>					
Property taxes	\$ 911,392	\$2,521,776	\$3,433,168	\$ 39,294	\$ 3,472,462
Penalties and interest		19,187	19,187	8,691	27,878
City of Sugar Land tax rebates	174,770	902,292	1,077,062		1,077,062
Investment earnings	27,574	22,710	50,284		50,284
<b>Total Revenues</b>	<b>1,113,736</b>	<b>3,465,965</b>	<b>4,579,701</b>	<b>47,985</b>	<b>4,627,686</b>
<b>Expenditures/Expenses</b>					
Operating and administrative					
Professional fees	78,071		78,071		78,071
Contracted services	12,918	52,434	65,352		65,352
Administrative	30,314	3,944	34,258		34,258
Other		5,000	5,000		5,000
Capital outlay	1,068,003		1,068,003	(1,068,003)	
Debt service					
Principal		2,340,000	2,340,000	(2,340,000)	
Interest and fees		1,412,484	1,412,484	26,887	1,439,371
Debt issuance costs		123,890	123,890		123,890
TIRZ payments	174,770		174,770		174,770
Amortization				216,626	216,626
<b>Total Expenditures/Expenses</b>	<b>1,364,076</b>	<b>3,937,752</b>	<b>5,301,828</b>	<b>(3,164,490)</b>	<b>2,137,338</b>
<b>Revenues Over/(Under)</b>					
<b>Expenditures/Expenses</b>	<b>(250,340)</b>	<b>(471,787)</b>	<b>(722,127)</b>	<b>3,212,475</b>	<b>2,490,348</b>
<b>Other Financing Sources/(Uses)</b>					
Proceeds from sale of refunding bonds		2,685,000	2,685,000	(2,685,000)	
Payment to refunded bond escrow agent		(2,529,145)	(2,529,145)	2,529,145	
<b>Other Items</b>					
Change in estimate of due to developer				(10,481)	(10,481)
<b>Net Change in Fund Balances</b>	<b>(250,340)</b>	<b>(315,932)</b>	<b>(566,272)</b>	<b>566,272</b>	
<b>Change in Net Position</b>				<b>2,479,867</b>	<b>2,479,867</b>
Fund Balances/Net Position					
Beginning of the year	742,808	4,748,004	5,490,812	(35,745,543)	(30,254,731)
<b>End of the year</b>	<b>\$ 492,468</b>	<b>\$4,432,072</b>	<b>\$4,924,540</b>	<b>\$ (32,699,404)</b>	<b>\$ (27,774,864)</b>

See notes to basic financial statements.

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***Fort Bend County Municipal Utility District No. 138***  
***Notes to Basic Financial Statements***  
***June 30, 2019***

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Fort Bend County Municipal Utility District No. 138 (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 20, 2005 and the first bonds were issued on June 26, 2007.

The District’s primary activities include the construction of water, sewer, drainage and road facilities. As further discussed in Note 10, 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, a component unit of a primary government or a related organization. A primary government has a separately elected governing body; is legally separate; and is fiscally independent of other state and local governments. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other 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 sources of revenue are property taxes and City of Sugar Land tax rebates. 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 City of Sugar Land tax rebates. 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 full 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, 2019, 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 acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. 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 connection fees, are amortized using the straight-line method as follows:

Assets	Useful Life
Impact fees	Remaining life of contract
Connection fees	Remaining life of contract

**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 amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

**Net Position – Governmental Activities**

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

**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 City of Sugar Land tax rebates and property taxes levied for debt service in the Debt Service Fund.



**Note 1 – Summary of Significant Accounting Policies (continued)**

**Fund Balances – Governmental Funds (continued)**

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.

**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; 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. 138**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

**Note 2 – Adjustment from Governmental to Government-wide Basis**

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

Total fund balances, governmental funds	\$	4,924,540	
Prepaid bond insurance is recorded as an asset and amortized to interest expense in the government wide statements.			126,195
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.			
Historical cost	\$	7,563,883	
Less accumulated amortization		<u>(2,174,084)</u>	
Change due to capital assets			5,389,799
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.			1,417,877
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		(39,347,232)	
Interest payable on bonds		<u>(413,240)</u>	
Change due to long-term debt			(39,760,472)
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		103,903	
Penalty and interest receivable		<u>23,294</u>	
Change due to property taxes			127,197
Total net position - governmental activities	\$		<u><u>(27,774,864)</u></u>

**Fort Bend County Municipal Utility District No. 138**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

**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 \$ (566,272)

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. 47,985

Governmental funds report capital outlays for developer reimbursements as expenditures in the funds; however, in the *Statement of Activities*, impact fees paid to the Master District and connection charges paid to the City of Sugar Land are capitalized and charged to expense over the remaining life of the contract.

Capital outlays	\$ 1,068,003	
Amortization expense	(216,626)	
		851,377

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.

Issuance of long term debt	(2,685,000)	
Payment to refunded bond escrow agent	2,529,145	
Principal payments	2,340,000	
Interest expense accrual	(26,887)	
		2,157,258

Revisions in the estimate of due to developer do not provide financial resources in the funds; but result in an adjustment to net position in *Statement of Activities*. (10,481)

Change in net position of governmental activities \$ 2,479,867

**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, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (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) certain insured or collateralized certificates of deposit and share certificates, (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, 2019, the District’s investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
TexSTAR	General	\$ 1,293,713	64%	AAAm	15 days
Certificates of deposit	Debt Service	730,049	36%	N/A	N/A
Total		<u>\$ 2,023,762</u>	<u>100%</u>		

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

*Fort Bend County Municipal Utility District No. 138  
Notes to Basic Financial Statements  
June 30, 2019*

**Note 3 – Deposits and Investments (continued)**

**TexSTAR**

The District participates in Texas Short Term Asset Reserve fund (TexSTAR) which is managed by Hilltop Securities, Inc., and J.P. Morgan Investment Management, Inc. Hilltop Securities 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 – Interfund Balances and Transactions**

Amounts due to/from other funds at June 30, 2019, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 808	Maintenance tax collections not remitted as of year end
Debt Service Fund	General Fund	896,852	City of Sugar Land tax rebates not remitted to Debt Service Fund as of year end
Debt Service Fund	General Fund	2,527	Excess deposit in General Fund from the Series 2019 refunding bonds to cover issuance costs

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. 138**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended June 30, 2019, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets being amortized			
Impact fees	\$ 6,476,798	\$ -	\$ 6,476,798
Master District connection fees	1,087,085		1,087,085
	<u>7,563,883</u>		<u>7,563,883</u>
Less accumulated amortization			
Impact fees	(1,674,235)	(186,230)	(1,860,465)
Master District connection fees	(283,223)	(30,396)	(313,619)
	<u>(1,957,458)</u>	<u>(216,626)</u>	<u>(2,174,084)</u>
Capital assets, net	<u>\$ 5,606,425</u>	<u>\$ (216,626)</u>	<u>\$ 5,389,799</u>

Amortization expense for the current year was \$216,626.

**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 park and recreational facilities and road improvements. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

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

Due to developer, beginning of year	\$ 1,057,522
Change in estimate of amount due to developer	<u>10,481</u>
Due to developer, end of year	<u>\$ 1,068,003</u>

The amount owed to the District's developer at June 30, 2019 was reimbursed subsequent to year end from surplus general operating funds from maintenance tax revenue. See Note 13 for additional information.

**Fort Bend County Municipal Utility District No. 138**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

**Note 7 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 38,945,000
Unamortized discounts	(375,599)
Unamortized premium	777,831
	<u>\$ 39,347,232</u>
Due within one year	<u>\$ 2,360,000</u>

The District's bonds payable at June 30, 2019, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2009A	\$ 410,000	\$ 5,085,000	3.65%-5.50%	September 1, 2010-2034	September 1, March 1	September 1, 2018
2011 Road	110,000	3,205,000	3.625%-5.625%	September 1, 2013-2034	September 1, March 1	September 1, 2019
2012	4,560,000	6,285,000	2.50%-3.25%	September 1, 2013-2034	September 1, March 1	September 1, 2020
2013 Refunding	5,875,000	7,175,000	2.00%-3.50%	September 1, 2013-2032	September 1, March 1	September 1, 2020
2014 Road	11,920,000	14,900,000	2.00%-4.00%	September 1, 2015-2034	September 1, March 1	September 1, 2022
2015	2,230,000	2,645,000	2.00%-3.40%	September 1, 2016-2034	September 1, March 1	September 1, 2023
2016 Refunding	8,285,000	8,765,000	2.00%-4.00%	September 1, 2016-2033	September 1, March 1	September 1, 2022
2017 Refunding	2,870,000	2,885,000	2.00%-4.00%	September 1, 2018-2034	September 1, March 1	September 1, 2024
2019 Refunding	2,685,000	2,685,000	2.00%-3.00%	September 1, 2020-2034	September 1, March 1	September 1, 2024
	<u>\$ 38,945,000</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.

**Fort Bend County Municipal Utility District No. 138**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

**Note 7 – Long-Term Debt (continued)**

At June 30, 2019, the District had authorized but unissued bonds in the amount of \$52,600,000 for water, sewer and drainage facilities; \$7,600,000 for park and recreational facilities; \$19,425,000 for road improvements, and \$54,412,275 for refunding purposes.

On June 4, 2019 the District issued its Series 2019 \$2,685,000 Unlimited Tax Road Refunding Bonds at a net effective interest rate of 2.832670% to refund \$2,540,000 of outstanding Series 2011 road bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately \$191,206 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$150,777. Proceeds of the bonds were placed in an escrow account with an escrow agent and irrevocably pledged to the payment of future debt service payments. As a result, the refunded bonds are considered defeased and the liability has been removed from the government-wide financial statements. As of June 30, 2019 the outstanding principal of defeased bonds is \$2,540,000.

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

Bonds payable, beginning of year	\$	41,140,000
Bonds issued		2,685,000
Bonds retired		(2,340,000)
Bonds refunded		(2,540,000)
Bonds payable, end of year	<u>\$</u>	<u>38,945,000</u>

As of June 30, 2019, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2020	\$ 2,360,000	\$ 1,236,479	\$ 3,596,479
2021	2,390,000	1,188,139	3,578,139
2022	2,405,000	1,119,495	3,524,495
2023	2,440,000	1,049,807	3,489,807
2024	2,455,000	977,345	3,432,345
2025	2,480,000	899,346	3,379,346
2026	2,520,000	816,957	3,336,957
2027	2,545,000	732,276	3,277,276
2028	2,575,000	645,500	3,220,500
2029	2,610,000	556,301	3,166,301
2030	2,640,000	465,392	3,105,392
2031	2,675,000	372,214	3,047,214
2032	2,705,000	275,003	2,980,003
2033	2,750,000	175,291	2,925,291
2034	1,815,000	91,425	1,906,425
2035	1,580,000	28,900	1,608,900
	<u>\$ 38,945,000</u>	<u>\$ 10,629,866</u>	<u>\$ 49,574,866</u>



**Fort Bend County Municipal Utility District No. 138**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

**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. In addition, on May 12, 2007, the voters of the District authorized \$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 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of \$0.4086 per \$100 of assessed value, of which \$0.1086 was allocated to maintenance and operations; \$0.19 was allocated to water, sewer and drainage debt service, and \$0.11 was allocated to road debt service. The resulting tax levy was \$3,481,804 on the adjusted taxable value of \$852,130,202.

Property taxes receivable, at June 30, 2019, consisted of the following:

Current year taxes receivable	\$ 76,339
Prior years taxes receivable	27,564
	<u>103,903</u>
Penalty and interest receivable	23,294
Total property taxes receivable	<u>\$ 127,197</u>

**Note 9 – 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”). The Master District Connection Charge is set by the Master District and may be amended without the District’s consent at any time. Due to the adoption of the Agreement (described below), the Master District no longer collects these connection charges.

**Note 9 – Master District (continued)**

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. 137 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 were allocated between the Participating Districts on a pro-rata basis based on capacity provided by the shared facilities. The reallocation was based on each Participating District’s capacity as of June 30, 2016 and all of the District’s share has been paid.

**Note 10 – 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. 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 of 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’s 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 one-time capital recovery charge (the “City Connection Charge”) to purchase water supply and wastewater treatment capacity in the City’s existing system. The City Connection Charge is set by the City and may be amended without the District’s consent at any time. The connection fee will be paid at the time the plant is recorded and prior to any tap into the System to service the area. The District has purchased sufficient capacity to serve all of the single family residential lots developed in the District.

The City 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, 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 2006 tax year (the District’s initial year of taxation) and continuing each year thereafter until the District’s unlimited tax debt has been paid in full. 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 will vary from year to year. For the year ended June 30, 2019, the District received \$1,077,062 in rebates from the City of Sugar Land.

**Note 11 – Tax Increment Reinvestment Zone**

A portion of the District lies within the boundaries of the City of Sugar Land Tax Increment Reinvestment Zone No. 4 (the “TIRZ”), which was established by the City on December 15, 2009. Under state law, a city may establish a TIRZ to promote private economic development of an area by investing in public infrastructure in that area. The base taxable assessed value of land within the TIRZ is established when the TIRZ is created. Any incremental growth in the taxable assessed value over the base is considered a “tax increment”. Taxing jurisdictions within the Zone have the option of contributing all or portions of tax collections attributed to the tax increment to the City for use in financing the public infrastructure improvements. The purpose of the TIRZ is to fund certain infrastructure costs for entertainment, office and higher density retail development proposed within its boundaries.

Participation by the District in the TIRZ is limited to contributing the amount of the rebate discussed in Note 10 that would be paid to the District by the City in connection with the commercial land within the District that is also within the TIRZ for the life of the TIRZ or the final maturity of the District’s debt, whichever is less.

Incremental value for the 2018 tax year is \$121,426,770. For the fiscal year ended June 30, 2019, the District made payments in the amounts of \$174,770 to the City of Sugar Land.

**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 – Subsequent Event**

On July 8, 2019, the District reimbursed its developer \$1,068,003 from surplus general operating funds from maintenance tax revenues for costs associated with the construction of water, wastewater, and drainage facilities for University Commons and connection fees paid to the City of Sugar Land and the Master District.

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## **Required Supplementary Information**

*Fort Bend County Municipal Utility District No. 138  
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund  
 For the Year Ended June 30, 2019*

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 809,379	\$ 900,000	\$ 911,392	\$ 11,392
City of Sugar Land tax rebates			174,770	174,770
Investment earnings	3,000	3,000	27,574	24,574
<b>Total Revenues</b>	<b>812,379</b>	<b>903,000</b>	<b>1,113,736</b>	<b>210,736</b>
<b>Expenditures</b>				
Operating and administrative				
Professional fees	88,250	88,250	78,071	10,179
Contracted services	14,000	14,000	12,918	1,082
Administrative	33,000	33,000	30,314	2,686
Capital outlay			1,068,003	(1,068,003)
Intergovernmental				
TIRZ payments			174,770	(174,770)
<b>Total Expenditures</b>	<b>135,250</b>	<b>135,250</b>	<b>1,364,076</b>	<b>(1,228,826)</b>
<b>Revenues Over/(Under) Expenditures</b>	<b>677,129</b>	<b>767,750</b>	<b>(250,340)</b>	<b>(1,018,090)</b>
<b>Fund Balance</b>				
Beginning of the year	742,808	742,808	742,808	
<b>End of the year</b>	<b>\$ 1,419,937</b>	<b>\$ 1,510,558</b>	<b>\$ 492,468</b>	<b>\$ (1,018,090)</b>

*Fort Bend County Municipal Utility District No. 138*  
*Notes to Required Supplementary Information*  
*June 30, 2019*

**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 revenues.

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## **Texas Supplementary Information**

**Fort Bend County Municipal Utility District No. 138**

**TSI-1. Services and Rates**

**June 30, 2019**

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 provided by the City of Sugar Land</u>               |   |  |                                     |

2. Retail Service Providers N/A

(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. 138**  
**TSI-1. Services and Rates**  
**June 30, 2019**

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. 138  
 TSI-2 General Fund Expenditures  
 For the Year Ended June 30, 2019*

Professional fees		
Legal		\$ 62,782
Audit		11,000
Engineering		4,289
		<u>78,071</u>
Contracted services		
Bookkeeping		<u>12,918</u>
Administrative		
Directors fees		12,300
Printing and office supplies		2,369
Insurance		3,291
Other		12,354
		<u>30,314</u>
Capital outlay		<u>1,068,003</u>
Intergovernmental		
TIRZ payments		<u>174,770</u>
Total expenditures		<u>\$ 1,364,076</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. 138*

*TSI-3. Investments*

*June 30, 2019*

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Interest Receivable</u>
General				
TexSTAR	Variable	N/A	\$ 1,293,713	\$ -
Debt Service				
Certificate of deposit	2.40%	08/13/19	244,943	2,223
Certificate of deposit	2.52%	07/12/19	242,087	2,841
Certificate of deposit	2.42%	07/09/19	243,019	2,787
			<u>730,049</u>	<u>7,851</u>
Total - All Funds			<u>\$ 2,023,762</u>	<u>\$ 7,851</u>

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 138**  
**TSI-4. Taxes Levied and Receivable**  
**June 30, 2019**

	Maintenance Taxes	Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 12,772	\$ 33,167	\$ 18,670	\$ 64,609
Adjustments	(1,747)	(4,776)	(2,819)	(9,342)
Adjusted Receivable	11,025	28,391	15,851	55,267
2018 Original Tax Levy	910,490	1,592,938	922,227	3,425,656
Adjustments	14,923	26,109	15,116	56,148
Adjusted Tax Levy	925,413	1,619,047	937,343	3,481,804
Total to be accounted for	936,438	1,647,438	953,194	3,537,071
Tax collections:				
Current year	905,124	1,583,550	916,792	3,405,465
Prior years	6,218	13,436	8,047	27,703
Total Collections	911,342	1,596,986	924,839	3,433,168
Taxes Receivable, End of Year	\$ 25,096	\$ 50,452	\$ 28,355	\$ 103,903
Taxes Receivable, By Years				
2018	\$ 20,290	\$ 35,498	\$ 20,551	\$ 76,339
2017	3,225	6,790	4,074	14,089
2016	474	2,477	1,423	4,374
2015 and prior	1,107	5,687	2,307	9,101
Total Taxes Receivable	\$ 25,096	\$ 50,452	\$ 28,355	\$ 103,903
	2018	2017	2016	2015
Property Valuations:				
Land	\$ 197,583,297	\$ 197,498,637	\$ 187,147,881	\$ 186,429,911
Improvements	642,990,829	603,168,008	596,906,070	543,998,740
Personal Property	24,538,739	18,810,600	17,380,810	16,524,320
Exemptions	(12,982,663)	(12,823,405)	(12,267,993)	(10,356,273)
Total Property Valuations	\$ 852,130,202	\$ 806,653,840	\$ 789,166,768	\$ 736,596,698
Tax Rates per \$100 Valuation:				
*Maintenance tax rates (1)	\$ 0.1086	\$ 0.095	\$ 0.045	\$ 0.035
Debt service tax rates	0.1900	0.200	0.235	0.210
**Road debt service tax rates	0.1100	0.120	0.135	0.190
Total Tax Rates per \$100 Valuation	\$ 0.4086	\$ 0.415	\$ 0.4150	\$ 0.435
Adjusted Tax Levy:	\$ 3,481,804	\$ 3,347,613	\$ 3,275,042	\$ 3,204,196
Percentage of Taxes Collected to Taxes Levied ***	97.81%	99.58%	99.87%	99.91%

\* Maximum Operations 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 purposes and not for road maintenance.  
See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 138*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2009A--by Years*  
*June 30, 2019*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 205,000	\$ 11,531	\$ 216,531
2021	205,000	3,895	208,895
	<u>\$ 410,000</u>	<u>\$ 15,426</u>	<u>\$ 425,426</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 138*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2011 Road--by Years*  
*June 30, 2019*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
<u>2020</u>	<u>\$ 110,000</u>	<u>\$ 3,094</u>	<u>\$ 113,094</u>

See accompanying auditors' report.



**Fort Bend County Municipal Utility District No. 138**  
**TSI-5. Long-Term Debt Service Requirements**  
**Series 2012--by Years**  
**June 30, 2019**

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 285,000	\$ 131,813	\$ 416,813
2021	285,000	123,262	408,262
2022	285,000	115,425	400,425
2023	285,000	108,300	393,300
2024	285,000	100,462	385,462
2025	285,000	91,913	376,913
2026	285,000	83,362	368,362
2027	285,000	74,813	359,813
2028	285,000	66,262	351,262
2029	285,000	57,713	342,713
2030	285,000	49,163	334,163
2031	285,000	40,613	325,613
2032	285,000	31,884	316,884
2033	285,000	22,978	307,978
2034	285,000	13,894	298,894
2035	285,000	4,631	289,631
	<u>\$ 4,560,000</u>	<u>\$ 1,116,488</u>	<u>\$ 5,676,488</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 138*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2013 Refunding--by Years*  
*June 30, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 340,000	\$ 186,481	\$ 526,481
2021	345,000	179,631	524,631
2022	355,000	169,969	524,969
2023	370,000	157,281	527,281
2024	380,000	144,156	524,156
2025	400,000	130,506	530,506
2026	415,000	116,244	531,244
2027	425,000	101,544	526,544
2028	440,000	86,406	526,406
2029	450,000	70,832	520,832
2030	465,000	55,691	520,691
2031	485,000	40,544	525,544
2032	495,000	24,619	519,619
2033	510,000	8,288	518,288
	<u>\$ 5,875,000</u>	<u>\$ 1,472,192</u>	<u>\$ 7,347,192</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 138*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2014 Road--by Years*  
*June 30, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 745,000	\$ 392,988	\$ 1,137,988
2021	745,000	370,638	1,115,638
2022	745,000	348,288	1,093,288
2023	745,000	325,938	1,070,938
2024	745,000	303,588	1,048,588
2025	745,000	281,238	1,026,238
2026	745,000	258,888	1,003,888
2027	745,000	235,606	980,606
2028	745,000	211,394	956,394
2029	745,000	186,250	931,250
2030	745,000	160,175	905,175
2031	745,000	133,169	878,169
2032	745,000	104,300	849,300
2033	745,000	74,500	819,500
2034	745,000	44,700	789,700
2035	745,000	14,900	759,900
	<u>\$ 11,920,000</u>	<u>\$ 3,446,556</u>	<u>\$ 15,366,556</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 138*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2015--by Years*  
*June 30, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 140,000	\$ 59,875	\$ 199,875
2021	140,000	57,075	197,075
2022	140,000	54,275	194,275
2023	140,000	51,300	191,300
2024	140,000	48,150	188,150
2025	140,000	44,650	184,650
2026	140,000	40,800	180,800
2027	140,000	36,950	176,950
2028	140,000	32,925	172,925
2029	140,000	28,725	168,725
2030	140,000	24,438	164,438
2031	140,000	20,063	160,063
2032	140,000	15,600	155,600
2033	140,000	11,050	151,050
2034	135,000	6,581	141,581
2035	135,000	2,194	137,194
	<u>\$ 2,230,000</u>	<u>\$ 534,651</u>	<u>\$ 2,764,651</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 138*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2016 Refunding--by Years*  
*June 30, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 520,000	\$ 294,600	\$ 814,600
2021	520,000	281,600	801,600
2022	525,000	265,925	790,925
2023	535,000	250,025	785,025
2024	540,000	233,900	773,900
2025	545,000	214,900	759,900
2026	560,000	192,800	752,800
2027	575,000	170,100	745,100
2028	585,000	146,900	731,900
2029	600,000	123,200	723,200
2030	610,000	99,000	709,000
2031	625,000	74,300	699,300
2032	645,000	48,900	693,900
2033	660,000	22,800	682,800
2034	240,000	4,800	244,800
	<u>\$ 8,285,000</u>	<u>\$ 2,423,750</u>	<u>\$ 10,708,750</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 138*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2017 Refunding--by Years*  
*June 30, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 15,000	\$ 101,300	\$ 116,300
2021	15,000	101,000	116,000
2022	215,000	98,700	313,700
2023	215,000	94,400	309,400
2024	210,000	89,100	299,100
2025	205,000	82,875	287,875
2026	205,000	75,700	280,700
2027	205,000	67,500	272,500
2028	205,000	59,300	264,300
2029	205,000	51,100	256,100
2030	205,000	42,900	247,900
2031	200,000	34,800	234,800
2032	195,000	26,900	221,900
2033	195,000	19,100	214,100
2034	190,000	11,400	201,400
2035	190,000	3,800	193,800
	<u>\$ 2,870,000</u>	<u>\$ 959,875</u>	<u>\$ 3,829,875</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 138*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2019 Road Refunding--by Years*  
*June 30, 2019*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ -	\$ 54,797	\$ 54,797
2021	135,000	71,038	206,038
2022	140,000	66,913	206,913
2023	150,000	62,563	212,563
2024	155,000	57,989	212,989
2025	160,000	53,264	213,264
2026	170,000	49,163	219,163
2027	170,000	45,763	215,763
2028	175,000	42,313	217,313
2029	185,000	38,481	223,481
2030	190,000	34,025	224,025
2031	195,000	28,725	223,725
2032	200,000	22,800	222,800
2033	215,000	16,575	231,575
2034	220,000	10,050	230,050
2035	225,000	3,375	228,375
	<u>\$ 2,685,000</u>	<u>\$ 657,834</u>	<u>\$ 3,342,834</u>

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 138**  
**TSI-5. Long-Term Debt Service Requirements**  
**All Bonded Debt Series--by Years**  
**June 30, 2019**

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 2,360,000	\$ 1,236,479	\$ 3,596,479
2021	2,390,000	1,188,139	3,578,139
2022	2,405,000	1,119,495	3,524,495
2023	2,440,000	1,049,807	3,489,807
2024	2,455,000	977,345	3,432,345
2025	2,480,000	899,346	3,379,346
2026	2,520,000	816,957	3,336,957
2027	2,545,000	732,276	3,277,276
2028	2,575,000	645,500	3,220,500
2029	2,610,000	556,301	3,166,301
2030	2,640,000	465,392	3,105,392
2031	2,675,000	372,214	3,047,214
2032	2,705,000	275,003	2,980,003
2033	2,750,000	175,291	2,925,291
2034	1,815,000	91,425	1,906,425
2035	1,580,000	28,900	1,608,900
	<u>\$ 38,945,000</u>	<u>\$ 10,629,866</u>	<u>\$ 49,574,866</u>

See accompanying auditors' report.



	Bond Issue			
	Series 2009	Series 2009A	Series 2011 Road	Series 2012
Interest rate	4.0% - 6.0%	3.65% - 5.50%	3.625% - 5.625%	2.50% - 3.40%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/10 - 9/1/33	9/1/10 - 9/1/34	9/1/13 - 9/1/34	9/1/13 - 9/1/34
Beginning bonds outstanding	\$ 280,000	\$ 615,000	\$ 2,755,000	\$ 4,845,000
Bonds issued				
Bonds retired	(280,000)	(205,000)	(105,000)	(285,000)
Bond refunded			(2,540,000)	
Ending bonds outstanding	<u>\$ -</u>	<u>\$ 410,000</u>	<u>\$ 110,000</u>	<u>\$ 4,560,000</u>
Interest paid during fiscal year	<u>\$ 7,490</u>	<u>\$ 20,910</u>	<u>\$ 166,454</u>	<u>\$ 140,362</u>
Paying agent's name and city				
Series 2009 and 2009A	Wells Fargo Bank N.A., Houston, Texas			
Series 2011 and 2013	Wells Fargo Bank, N.A., Dallas, Texas			
All other series	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas			
Bond Authority:	Water, Sewer and Drainage Bonds	Park Bonds	Road Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 86,450,000	\$ 7,600,000	\$ 37,675,000	\$ 56,200,000
Amount Issued	(33,850,000)		(18,250,000)	(1,787,725)
Remaining To Be Issued	<u>\$ 52,600,000</u>	<u>\$ 7,600,000</u>	<u>\$ 19,425,000</u>	<u>\$ 54,412,275</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, 2019: \$ 3,526,284

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 3,098,429

See accompanying auditors' report.

	Bond Issue			
	Series 2013 Refunding	Series 2014 Road	Series 2015	Series 2016 Refunding
Interest rate	2.0% - 3.50%	2.0% - 4.0%	2.0% - 3.25%	2.0% - 4.0%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/13 - 9/1/32	9/1/15 - 9/1/34	9/1/16 - 9/1/34	9/1/16 - 9/1/33
Beginning bonds outstanding	\$ 6,205,000	\$ 12,665,000	\$ 2,370,000	\$ 8,520,000
Bonds issued				
Bonds retired	(330,000)	(745,000)	(140,000)	(235,000)
Bond refunded				
Ending bonds outstanding	<u>\$ 5,875,000</u>	<u>\$ 11,920,000</u>	<u>\$ 2,230,000</u>	<u>\$ 8,285,000</u>
Interest paid during fiscal year	<u>\$ 193,181</u>	<u>\$ 411,613</u>	<u>\$ 62,675</u>	<u>\$ 302,150</u>

See accompanying auditors' report.

Bond Issue		
Series 2017 Refunding	Series 2019 Road Refunding	Totals
2.0% - 4.0%	2.0% - 3.0%	
9/1; 3/1	9/1; 3/1	
9/1/18 -	9/1/20 -	
9/1/34	9/1/34	
\$ 2,885,000	\$ -	\$ 41,140,000
	2,685,000	2,685,000
(15,000)		(2,340,000)
		(2,540,000)
<u>\$ 2,870,000</u>	<u>\$ 2,685,000</u>	<u>\$ 38,945,000</u>
<u>\$ 101,600</u>	<u>\$ -</u>	<u>\$ 1,406,435</u>

*Fort Bend County Municipal Utility District No. 138*

*TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund*

*For the Last Five Fiscal Years*

	Amounts				
	2019	2018	2017	2016	2015
<b>Revenues</b>					
Property taxes	\$ 911,392	\$ 755,732	\$ 358,833	\$ 255,776	\$ 288,289
City of Sugar Land tax rebates	174,770	141,912	123,854	90,857	76,541
Investment earnings	27,574	5,415	2,058	2,656	4,232
<b>Total Revenues</b>	<b>1,113,736</b>	<b>903,059</b>	<b>484,745</b>	<b>349,289</b>	<b>369,062</b>
<b>Expenditures</b>					
<b>Operating and administrative</b>					
Professional fees	78,071	91,698	107,392	101,986	81,653
Contracted services	12,918	13,238	13,650	12,975	12,900
Administrative	30,314	30,859	28,788	24,775	32,176
Other					165
Capital outlay	1,068,003	42,774	641,961	479,828	
<b>Debt service</b>					
Developer interest		422	6,629	4,336	
Debt issuance costs			11,685		
<b>Intergovernmental</b>					
TIRZ payments	174,770	141,912	123,854	90,857	55,573
<b>Total Expenditures</b>	<b>1,364,076</b>	<b>320,903</b>	<b>933,959</b>	<b>714,757</b>	<b>182,467</b>
<b>Revenues Over (Under) Expenditures</b>	<b>\$ (250,340)</b>	<b>\$ 582,156</b>	<b>\$ (449,214)</b>	<b>\$ (365,468)</b>	<b>\$ 186,595</b>

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
82%	84%	74%	73%	78%
16%	15%	26%	26%	21%
2%	1%	*	1%	1%
100%	100%	100%	100%	100%
7%	10%	22%	29%	22%
1%	1%	3%	4%	3%
3%	3%	6%	7%	9%
				*
96%	5%	132%	137%	
	*	1%	1%	
		2%		
16%	16%	26%	26%	15%
123%	35%	192%	204%	49%
(23%)	65%	(92%)	(104%)	51%

**Fort Bend County Municipal Utility District No. 138**

**TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund**

**For the Last Five Fiscal Years**

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 2,521,776	\$ 2,541,863	\$ 2,965,428	\$ 2,916,502	\$ 2,542,375
Penalties and interest	19,187	8,884	48,547	13,861	12,467
City of Sugar Land tax rebates	902,292	1,024,851	983,580	975,408	932,458
Accrued interest on bonds sold				13,751	36,070
Investment earnings	22,710	14,189	7,583	7,179	6,803
Miscellaneous					
Total Revenues	3,465,965	3,589,787	4,005,138	3,926,701	3,530,173
Expenditures					
Tax collection services	56,378	75,300	53,729	44,419	42,599
Other	5,000	10,030	7,560	5,030	5,000
Debt service					
Principal	2,340,000	2,305,000	2,250,000	2,065,000	1,295,000
Debt interest and fees	1,412,484	1,387,903	1,523,718	1,635,292	1,534,128
Debt issuance costs	123,890	130,363		242,745	
Payment to refunded bond escrow agent		48,000			
Total Expenditures	3,937,752	3,956,596	3,835,007	3,992,486	2,876,727
Revenues Over (Under) Expenditures	\$ (471,787)	\$ (366,809)	\$ 170,131	\$ (65,785)	\$ 653,446
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

2019	2018	2017	2016	2015
72%	71%	74%	75%	73%
1%	*	1%	*	*
26%	29%	25%	25%	26%
1%	*	*	*	1%
1%	*	*	*	*
100%	100%	100%	100%	100%
2%	2%	1%	1%	1%
*	*	*	*	*
68%	64%	56%	53%	37%
41%	39%	38%	42%	43%
4%	4%		6%	
	1%			
115%	110%	95%	102%	81%
(15%)	(10%)	5%	(2%)	19%

**Fort Bend County Municipal Utility District No. 138**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended June 30, 2019**

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): May 14, 2018  
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
<b>Board Members</b>				
Terrie Gornet	5/2016 - 5/2020	\$ 2,850	\$ 2,804	President
David Keene	5/2016 - 5/2020	2,850	2,242	Vice President
Mark Assise	5/2018 - 5/2022	2,100	2,089	Secretary
Gary Justice	5/2018 - 5/2022	1,500	141	Assistant Vice President
Paula Stephens	5/2016 - 5/2020	3,000	3,387	Assistant Secretary
<b>Consultants</b>				
		<u>Amounts Paid</u>		
Allen Boone Humphries Robinson LLP <i>General legal fees</i> <i>Bond counsel</i>	2005	\$ 62,781 40,036		Attorney
IJA Engineering and Surveying, Inc.	2005	4,289		Engineer
Myrtle Cruz, Inc.	2005	13,819		Bookkeeper
Tax Tech, Inc.	2005	21,876		Tax Assessor / Collector
Fort Bend Central Appraisal District	Legislation	24,186		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	2006	6,371		Delinquent Tax Attorney
McGrath & Co., PLLC	2011	11,000		Auditor
Masterson Advisors, LLC	2018	29,759		Financial Advisor

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