

**FORT BEND COUNTY MUNICIPAL
UTILITY DISTRICT NO. 139**

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. 139
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. 139, 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. 139
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. 139, 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. G. & Co, P.C.

Houston, Texas
October 14, 2019

Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 139
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. 139 (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. 139
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 \$9,891,471. 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, 2019 and 2018, is as follows:

	2019	2018
Current and other assets	\$ 1,648,438	\$ 1,519,067
Capital assets	1,633,848	1,696,688
Total assets	<u>3,282,286</u>	<u>3,215,755</u>
Total deferred outflows of resources	<u>104,168</u>	<u> </u>
Current liabilities	672,253	709,737
Long-term liabilities	12,605,672	12,817,844
Total liabilities	<u>13,277,925</u>	<u>13,527,581</u>
Net position		
Net investment in capital assets	(147,902)	(273,398)
Restricted	1,133,082	1,186,132
Unrestricted	<u>(10,876,651)</u>	<u>(11,224,560)</u>
Total net position	<u>\$ (9,891,471)</u>	<u>\$ (10,311,826)</u>

Fort Bend County Municipal Utility District No. 139
Management's Discussion and Analysis
June 30, 2019

The total net position of the District increased during the current fiscal year by \$420,355. 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	\$ 1,057,813	\$ 1,087,487
City of Sugar Land tax rebates	320,364	356,367
Other	12,802	6,996
Total revenues	<u>1,390,979</u>	<u>1,450,850</u>
Expenses		
Operating and administrative	136,238	137,186
TIRZ payments	52,554	83,955
Debt interest and fees	546,473	538,790
Debt issuance costs	172,519	
Developer interest		28,301
Amortization	62,840	62,840
Total expenses	<u>970,624</u>	<u>851,072</u>
Change in net position	420,355	599,778
Net position, beginning of year	<u>(10,311,826)</u>	<u>(10,911,604)</u>
Net position, end of year	<u>\$ (9,891,471)</u>	<u>\$ (10,311,826)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of June 30, 2019, were \$1,629,860, which consists of \$377,631 in the General Fund and \$1,252,229 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>\$ 386,441</u>	<u>\$ 153,776</u>
Total liabilities	\$ 8,338	\$ 5,578
Total deferred inflows	472	13
Total fund balance	<u>377,631</u>	<u>148,185</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 386,441</u>	<u>\$ 153,776</u>

Fort Bend County Municipal Utility District No. 139
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:

	2019	2018
Total revenues	\$ 392,721	\$ 452,857
Total expenditures	(163,275)	(571,920)
Revenues over/(under) expenditures	<u>\$ 229,446</u>	<u>\$ (119,063)</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 tax 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 decreased from prior year because the District decreased the maintenance and operations component of the levy and assessed values decreased 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 10 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:

	2019	2018
Total assets	<u>\$ 1,261,997</u>	<u>\$ 1,365,291</u>
Total liabilities	\$ 8,756	\$ 3,161
Total deferred inflows	1,012	24
Total fund balance	<u>1,252,229</u>	<u>1,362,106</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,261,997</u>	<u>\$ 1,365,291</u>

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

	2019	2018
Total revenues	\$ 996,811	\$ 998,868
Total expenditures	(1,330,954)	(1,075,187)
Revenues under expenditures	(334,143)	(76,319)
Other changes in fund balance	224,266	
Net change in fund balance	<u>\$ (109,877)</u>	<u>\$ (76,319)</u>

Fort Bend County Municipal Utility District No. 139
Management's Discussion and Analysis
June 30, 2019

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 \$4,320,000 in refunding bonds to refund \$4,435,000 of its outstanding Series 2012 bonds. This refunding will save the District \$305,426 in future debt service requirements.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board 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 \$19,096 greater than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

Capital Assets

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

	<u>2019</u>	<u>2018</u>
Capital assets being amortized		
Master district connection fees	\$ 289,967	\$ 289,967
Impact fees	<u>1,786,050</u>	<u>1,786,050</u>
	<u>2,076,017</u>	<u>2,076,017</u>
Less accumulated amortization		
Master district connection fees	(59,754)	(50,900)
Impact fees	<u>(382,415)</u>	<u>(328,429)</u>
	<u>(442,169)</u>	<u>(379,329)</u>
Capital assets, net	<u>\$ 1,633,848</u>	<u>\$ 1,696,688</u>

The District and the City of Sugar Land (the "City") have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. Additional information is presented in Note 9.

Fort Bend County Municipal Utility District No. 139
Management's Discussion and Analysis
June 30, 2019

Long-Term Debt and Related Liabilities

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

Series	2019	2018
2012	\$ 485,000	\$ 5,065,000
2012 Road	2,345,000	2,420,000
2013	5,780,000	6,085,000
2019 Refunding	4,320,000	
	<u>\$ 12,930,000</u>	<u>\$ 13,570,000</u>

During the year, the District issued \$4,320,000 in unlimited tax refunding bonds. At June 30, 2019, the District had \$84,684,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$5,500,000 for parks and recreational facilities and the refunding of such bonds; \$18,585,000 for road improvements and the refunding of such bonds.

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:

	2019 Actual	2020 Budget
Total revenues	\$ 392,721	\$ 329,000
Total expenditures	<u>(163,275)</u>	<u>(128,650)</u>
Revenues over expenditures	229,446	200,350
Beginning fund balance	148,185	377,631
Ending fund balance	<u>\$ 377,631</u>	<u>\$ 577,981</u>

Property Taxes

The District's property tax base increased approximately \$3,940,000 for the 2019 tax year from \$257,562,058 to \$261,501,774. This increase was primarily due to increased property values. For the 2019 tax year, the District has levied a maintenance tax rate of \$0.14 per \$100 of assessed value; a water, sewer, and drainage debt service tax rate of \$0.22 per \$100 of assessed value; and a road debt service tax rate of \$0.05 per \$100 of assessed value, for a total combined tax rate of \$0.41 per \$100 of assessed value. Tax rates for the 2018 tax year were \$0.13 per \$100 for maintenance and operations; \$0.23 per \$100 for water, sewer, and drainage debt service; and \$0.05 per \$100 for road debt service, for a combined total of \$0.41 per \$100 of assessed value.

Basic Financial Statements

Fort Bend County Municipal Utility District No. 139
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2019

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 50,870	\$ 745,669	\$ 796,539	\$ -	\$ 796,539
Investments	601,729	243,298	845,027		845,027
Taxes receivable	472	1,012	1,484		1,484
Internal balances	(269,515)	269,515			
Prepaid items	2,885		2,885		2,885
Other receivables		2,503	2,503		2,503
Capital assets, net				1,633,848	1,633,848
Total Assets	\$ 386,441	\$1,261,997	\$1,648,438	1,633,848	3,282,286
Deferred Outflows of Resources					
Deferred difference on refunding				104,168	104,168
Liabilities					
Accounts payable	\$ 8,338	\$ -	\$ 8,338		8,338
Other payables		5	5		5
Accrued interest payable		8,751	8,751	120,159	128,910
Long-term debt					
Due within one year				535,000	535,000
Due after one year				12,605,672	12,605,672
Total Liabilities	8,338	8,756	17,094	13,260,831	13,277,925
Deferred Inflows of Resources					
Deferred property taxes	472	1,012	1,484	(1,484)	
Fund Balances/Net Position					
Fund Balances					
Nonspendable	2,885		2,885	(2,885)	
Restricted		1,252,229	1,252,229	(1,252,229)	
Unassigned	374,746		374,746	(374,746)	
Total Fund Balances	377,631	1,252,229	1,629,860	(1,629,860)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 386,441	\$1,261,997	\$1,648,438		
Net Position					
Net investment in capital assets				(147,902)	(147,902)
Restricted for debt service				1,133,082	1,133,082
Unrestricted				(10,876,651)	(10,876,651)
Total Net Position				\$(9,891,471)	\$(9,891,471)

See notes to basic financial statements.

Fort Bend County Municipal Utility District No. 139
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2019

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Property taxes	\$ 334,400	\$ 720,157	\$1,054,557	\$ 1,447	\$ 1,056,004
Penalties and interest		1,809	1,809		1,809
City of Sugar Land tax rebates	52,554	267,810	320,364		320,364
Investment earnings	5,767	7,035	12,802		12,802
Total Revenues	392,721	996,811	1,389,532	1,447	1,390,979
Expenditures/Expenses					
Operating and administrative					
Professional fees	72,559		72,559		72,559
Contracted services	12,919	18,135	31,054		31,054
Administrative	25,243	1,950	27,193		27,193
Other		5,432	5,432		5,432
Intergovernmental					
TIRZ payments	52,554		52,554		52,554
Debt service					
Principal		525,000	525,000	(525,000)	
Interest and fees		607,918	607,918	(61,445)	546,473
Debt issuance costs		172,519	172,519		172,519
Amortization				62,840	62,840
Total Expenditures/Expenses	163,275	1,330,954	1,494,229	(523,605)	970,624
Revenues Over/(Under)					
Expenditures	229,446	(334,143)	(104,697)	104,697	
Other Financing Sources/(Uses)					
Proceeds from sale of refunding bonds		4,320,000	4,320,000	(4,320,000)	
Bond premium		322,471	322,471	(322,471)	
Payment to refunded bond escrow agent		(4,418,205)	(4,418,205)	4,418,205	
Net Change in Fund Balances	229,446	(109,877)	119,569	(119,569)	
Change in Net Position				420,355	420,355
Fund Balance/Net Position					
Beginning of the year	148,185	1,362,106	1,510,291	(11,822,117)	(10,311,826)
End of the year	\$ 377,631	\$1,252,229	\$1,629,860	\$(11,521,331)	\$ (9,891,471)

See notes to basic financial statements.

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Fort Bend County Municipal Utility District No. 139
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. 139 (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 18, 2007 and the first bonds were issued on June 12, 2012.

The District’s primary activities include construction of water, sewer, drainage and road facilities. As further discussed in Note 9, the District transfers these facilities to the City of Sugar Land upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The Governmental Accounting Standards Board has established the criteria for determining whether or not an entity is a primary government, 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.

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.

Capital assets are amortized using the straight-line method as follows:

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

Deferred Inflows and Outflows of Financial Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources (continued)

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

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction 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.

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.

Fort Bend County Municipal Utility District No. 139
Notes to Basic Financial Statements
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances 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 and the useful lives and impairment of capital assets. 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. 139
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 balance, governmental funds	\$ 1,629,860
--	--------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 2,076,017	
Less accumulated amortization	<u>(442,169)</u>	
Change due to capital assets		1,633,848

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 *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.

104,168

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	(13,140,672)	
Interest payable on bonds	<u>(120,159)</u>	
Change due to long-term debt		(13,260,831)

Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.

1,484

Total net position - governmental activities	<u><u>\$ (9,891,471)</u></u>
--	------------------------------

Fort Bend County Municipal Utility District No. 139
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 Change in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds \$ 119,569

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. 1,447

In the *Statement of Activities*, impact fees paid to the City of Sugar Land and Master district connection fees paid to the Master District are capitalized and charged to expense over the remaining life of the respective contracts. (62,840)

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	\$ (4,320,000)	
Bond premium	(322,471)	
Principal payments	525,000	
Payment to refunded bond escrow agent	4,418,205	
Interest expense accrual	61,445	
		362,179

Change in net position of governmental activities \$ 420,355

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.

Note 3 – Deposits and Investments (continued)

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, 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
Certificates of deposit	Debt Service	\$ 243,298	29%	N/A	N/A
TexSTAR	General	601,729	71%	AAAm	15 days
Total		<u>\$ 845,027</u>	<u>100%</u>		

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

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.

*Fort Bend County Municipal Utility District No. 139
Notes to Basic Financial Statements
June 30, 2019*

Note 3 – Deposits and Investments (continued)

TexSTAR (continued)

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	\$ 481	Maintenance tax collections not remitted as of year end
Debt Service Fund	General Fund	3,322	Excess deposit in General Fund from the Series 2019 refunding bonds to cover issuance costs
Debt Service Fund	General Fund	266,674	City of Sugar Land tax rebates not remitted to Debt Service Fund as of year end

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. 139
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			
Master district connection fees	\$ 289,967	\$ -	\$ 289,967
Impact fees	1,786,050		1,786,050
	<u>2,076,017</u>		<u>2,076,017</u>
Less accumulated amortization			
Master district connection fees	(50,900)	(8,854)	(59,754)
Impact fees	(328,429)	(53,986)	(382,415)
	<u>(379,329)</u>	<u>(62,840)</u>	<u>(442,169)</u>
Subtotal depreciable capital assets, net	<u>1,696,688</u>	<u>(62,840)</u>	<u>1,633,848</u>
Capital assets, net	<u>\$ 1,696,688</u>	<u>\$ (62,840)</u>	<u>\$ 1,633,848</u>

Amortization expense for the current year was \$62,840.

Note 6 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 12,930,000
Unamortized discounts	(95,675)
Unamortized premium	306,347
	<u>\$ 13,140,672</u>
Due within one year	<u>\$ 535,000</u>

Fort Bend County Municipal Utility District No. 139
Notes to Basic Financial Statements
June 30, 2019

Note 6 – Long-Term Debt (continued)

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
2012	\$ 485,000	\$ 5,690,000	2.50% - 4.20%	September 1, 2013/2037	September 1, March 1	September 1 2019
2012 Road	2,345,000	2,750,000	2.00% - 4.00%	September 1, 2013/2037	September 1, March 1	September 1 2019
2013	5,780,000	7,300,000	3.00% - 5.00%	September 1, 2014/2037	September 1, March 1	September 1, 2021
2019 Refunding	4,320,000	4,320,000	3.00% - 4.00%	September 1, 2022/2037	September 1, March 1	September 1, 2025
	<u>\$ 12,930,000</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, 2019, the District had authorized but unissued bonds in the amount of \$84,684,000 for water, sewer and drainage facilities and the refunding of such bonds; \$5,500,000 for park and recreational facilities and the refunding of such bonds; and \$18,585,000 for road improvements and the refunding of such bonds.

On June 20, 2019, the District issued its \$4,320,000 Series 2019 Unlimited Tax Refunding Bonds at a net effective interest rate of 3.327243% to advance refund \$4,435,000 of outstanding Series 2012 bonds. The District advance refunded the bonds to reduce total debt service payments over future years by approximately \$305,426 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$224,414. 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 \$4,435,000.

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

Bonds payable, beginning of year	\$ 13,570,000
Bonds issued	4,320,000
Bonds retired	(525,000)
Bonds refunded	<u>(4,435,000)</u>
Bonds payable, end of year	<u>\$ 12,930,000</u>

Fort Bend County Municipal Utility District No. 139
Notes to Basic Financial Statements
June 30, 2019

Note 6 – Long-Term Debt (continued)

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

Year	Principal	Interest	Totals
2020	\$ 535,000	\$ 446,305	\$ 981,305
2021	545,000	472,230	1,017,230
2022	560,000	455,748	1,015,748
2023	575,000	437,717	1,012,717
2024	590,000	418,011	1,008,011
2025	605,000	396,867	1,001,867
2026	620,000	374,278	994,278
2027	640,000	351,632	991,632
2028	650,000	329,050	979,050
2029	670,000	305,537	975,537
2030	680,000	279,763	959,763
2031	700,000	251,719	951,719
2032	720,000	222,338	942,338
2033	750,000	191,413	941,413
2034	770,000	159,488	929,488
2035	800,000	126,563	926,563
2036	810,000	92,100	902,100
2037	840,000	56,100	896,100
2038	870,000	18,900	888,900
	<u>\$ 12,930,000</u>	<u>\$ 5,385,757</u>	<u>\$ 18,315,757</u>

Note 7 – Property Taxes

On May 9, 2009, 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 \$0.25 per \$100 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.

Fort Bend County Municipal Utility District No. 139
Notes to Basic Financial Statements
June 30, 2019

Note 7 – Property Taxes (continued)

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 \$0.41 per \$100 of assessed value, of which \$0.13 was allocated to maintenance and operations, \$0.23 was allocated to water, sewer and drainage debt service, and \$0.05 was allocated to road debt service. The resulting tax levy was \$1,056,004 on the adjusted taxable value of \$257,562,058.

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

Current year taxes receivable	\$ 1,447
Prior year taxes receivable	37
Property taxes receivable	<u>\$ 1,484</u>

Note 8 – Master District

On September 12, 2011, 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 with 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.

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. 138 (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 9 – 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’s developers and the City, dated July 9, 2007, later assigned to the District by Board approval. As a condition of such service, the Utility Agreement obligates the District to acquire, construct, and extend water, sanitary sewer and drainage facilities (the “System”) to serve land in the District and, when completed in accordance with approved plans and specifications, to convey title to the System to the City. The City then operates and maintains the System, and is responsible for establishing water and sewer rates and billing and collecting for such services. The Utility Agreement provides that the District retains a security interest in the System to secure the City’s performance under the Utility Agreement until the District’s bonds have been fully paid, at which time the District will execute a release of such interest, and the City will own the System unencumbered.

Note 9 – Utility Agreement with the City of Sugar Land (continued)

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 Fee") 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 all property within the District, as it does with any other property within 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 on February 28 of the year following the year in which the District levies a debt service tax, and each ninety days thereafter. The amount of rebate payments 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 fiscal year ended June 30, 2019, the District received \$320,364 in tax rebates from the City.

Note 10 – Reinvestment Zone Development Plan Agreement

A portion of the District lies within the boundaries of the City of Sugar Land Tax Increment Reinvestment Zone No. 4 (the "Zone"), which was established by the City of Sugar Land, Texas (the "City") in December of 2009. The purpose of the TIRZ is to fund certain infrastructure costs for entertainment, office and higher density retail development proposed within its boundaries.

The District receives a tax rebate from the City in an amount equivalent to one-half of the total amount of taxes levied and collected upon the property within the District by the City. Participation by the District in the TIRZ is limited to contributing the amount of rebate 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. The District's participation in the TIRZ has the effect of reducing the rebate revenue that is available to the District for the payment of debt service during the life of the TIRZ. For the year ended June 30, 2019, the District paid \$52,554 in TIRZ participation fees. Incremental value as of June 30, 2019 for the 2018 tax year is \$33,092,096.

Fort Bend County Municipal Utility District No. 139
Notes to Basic Financial Statements
June 30, 2019

Note 11 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and 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.

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Required Supplementary Information

Fort Bend County Municipal Utility District No. 139
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 370,000	\$ 325,000	\$ 334,400	\$ 9,400
City of Sugar Land tax rebates			52,554	52,554
Investment earnings	2,250	2,250	5,767	3,517
Total Revenues	<u>372,250</u>	<u>327,250</u>	<u>392,721</u>	<u>65,471</u>
Expenditures				
Operating and administrative				
Professional fees	69,250	69,250	72,559	(3,309)
Contracted services	20,000	20,000	12,919	7,081
Administrative	27,650	27,650	25,243	2,407
Intergovernmental				
TIRZ payments			52,554	(52,554)
Total Expenditures	<u>116,900</u>	<u>116,900</u>	<u>163,275</u>	<u>(46,375)</u>
Revenues Over Expenditures	255,350	210,350	229,446	19,096
Fund Balance				
Beginning of the year	148,185	148,185	148,185	
End of the year	<u>\$ 403,535</u>	<u>\$ 358,535</u>	<u>\$ 377,631</u>	<u>\$ 19,096</u>

Fort Bend County Municipal Utility District No. 139
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. 139

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 and road maintenance are 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 ESFCs
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. 139
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. 139
 TSI-2 General Fund Expenditures
 For the Year Ended June 30, 2019*

Professional fees		
Legal		\$ 58,853
Audit		11,000
Engineering		2,706
		<u>72,559</u>
Contracted services		
Bookkeeping		<u>12,919</u>
Administrative		
Directors fees		12,150
Printing and office supplies		2,213
Insurance		2,992
Other		7,888
		<u>25,243</u>
Intergovernmental		
TIRZ payments		<u>52,554</u>
Total expenditures		<u><u>\$ 163,275</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. 139
TSI-3. Investments
June 30, 2019

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
TexSTAR	Variable	N/A	\$ 601,729	\$ -
Debt Service				
Certificate of deposit	2.52%	8/2/19	<u>243,298</u>	<u>2,503</u>
Total - All Funds			<u>\$ 845,027</u>	<u>\$ 2,503</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 139
TSI-4. Taxes Levied and Receivable
June 30, 2019

	Maintenance Taxes	Debt Service Taxes	Road Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 13	\$ 20	\$ 4	\$ 37
2018 Original Tax Levy	329,088	582,233	126,572	1,037,893
Adjustments	5,743	10,159	2,209	18,111
Adjusted Tax Levy	334,831	592,392	128,781	1,056,004
Total to be accounted for	334,844	592,412	128,785	1,056,041
Tax collections:				
Current year	334,372	591,580	128,605	1,054,557
Total Collections	334,372	591,580	128,605	1,054,557
Taxes Receivable, End of Year	\$ 472	\$ 832	\$ 180	\$ 1,484
Taxes Receivable, By Years				
2018	\$ 459	\$ 812	\$ 176	\$ 1,447
2017	13	20	4	37
Taxes Receivable, End of Year	\$ 472	\$ 832	\$ 180	\$ 1,484
	2018	2017	2016	2015
Property Valuations:				
Land	\$ 83,902,980	\$ 84,546,050	\$ 79,011,760	\$ 78,952,910
Improvements	229,663,272	235,172,034	198,278,052	182,811,770
Personal Property	5,117,390	6,229,210	8,468,436	6,410,730
Exemptions	(61,121,584)	(60,799,832)	(19,061,120)	(14,438,580)
Total Property Valuations	\$ 257,562,058	\$ 265,147,462	\$ 266,697,128	\$ 253,736,830
Tax Rates per \$100 Valuation:				
Maintenance tax rates (1)	\$ 0.13	\$ 0.14	\$ 0.130	\$ 0.11
W-S-D Debt service tax rates	0.23	0.23	0.235	0.27
Road service tax rates	0.05	0.04	0.045	0.03
Total Tax Rates per \$100 Valuation	\$ 0.41	\$ 0.41	\$ 0.410	\$ 0.41
Adjusted Tax Levy:	\$ 1,056,004	\$ 1,087,105	\$ 1,093,458	\$ 1,040,321
Percentage of Taxes Collected to Taxes Levied **	99.86%	99.99%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 9, 2009

* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on May 9, 2009

** 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 and not for road maintenance.

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 139
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	\$ 155,000	\$ 12,456	\$ 167,456
2021	160,000	7,925	167,925
2022	170,000	2,762	172,762
	<u>\$ 485,000</u>	<u>\$ 23,143</u>	<u>\$ 508,143</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 139
TSI-5. Long-Term Debt Service Requirements
Series 2012 Road--by Years
June 30, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 75,000	\$ 83,939	\$ 158,939
2021	80,000	82,095	162,095
2022	85,000	79,926	164,926
2023	90,000	77,407	167,407
2024	95,000	74,632	169,632
2025	100,000	71,582	171,582
2026	105,000	68,173	173,173
2027	110,000	64,463	174,463
2028	115,000	60,525	175,525
2029	120,000	56,337	176,337
2030	125,000	51,819	176,819
2031	130,000	47,038	177,038
2032	135,000	41,900	176,900
2033	145,000	36,300	181,300
2034	150,000	30,400	180,400
2035	160,000	24,200	184,200
2036	165,000	17,700	182,700
2037	175,000	10,900	185,900
2038	185,000	3,700	188,700
	<u>\$ 2,345,000</u>	<u>\$ 983,036</u>	<u>\$ 3,328,036</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 139
TSI-5. Long-Term Debt Service Requirements
Series 2013--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	\$ 305,000	\$ 225,560	\$ 530,560
2021	305,000	216,410	521,410
2022	305,000	207,260	512,260
2023	305,000	198,110	503,110
2024	305,000	188,579	493,579
2025	305,000	178,285	483,285
2026	305,000	167,305	472,305
2027	305,000	155,944	460,944
2028	305,000	144,125	449,125
2029	305,000	131,925	436,925
2030	305,000	119,344	424,344
2031	305,000	106,381	411,381
2032	305,000	93,038	398,038
2033	305,000	79,313	384,313
2034	305,000	65,588	370,588
2035	305,000	51,863	356,863
2036	300,000	37,500	337,500
2037	300,000	22,500	322,500
2038	300,000	7,500	307,500
	<u>\$ 5,780,000</u>	<u>\$ 2,396,528</u>	<u>\$ 8,176,528</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 139
TSI-5. Long-Term Debt Service Requirements
Series 2019 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	\$ -	\$ 124,350	\$ 124,350
2021		165,800	165,800
2022		165,800	165,800
2023	180,000	162,200	342,200
2024	190,000	154,800	344,800
2025	200,000	147,000	347,000
2026	210,000	138,800	348,800
2027	225,000	131,225	356,225
2028	230,000	124,400	354,400
2029	245,000	117,275	362,275
2030	250,000	108,600	358,600
2031	265,000	98,300	363,300
2032	280,000	87,400	367,400
2033	300,000	75,800	375,800
2034	315,000	63,500	378,500
2035	335,000	50,500	385,500
2036	345,000	36,900	381,900
2037	365,000	22,700	387,700
2038	385,000	7,700	392,700
	<u>\$ 4,320,000</u>	<u>\$ 1,983,050</u>	<u>\$ 6,303,050</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 139
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	\$ 535,000	\$ 446,305	\$ 981,305
2021	545,000	472,230	1,017,230
2022	560,000	455,748	1,015,748
2023	575,000	437,717	1,012,717
2024	590,000	418,011	1,008,011
2025	605,000	396,867	1,001,867
2026	620,000	374,278	994,278
2027	640,000	351,632	991,632
2028	650,000	329,050	979,050
2029	670,000	305,537	975,537
2030	680,000	279,763	959,763
2031	700,000	251,719	951,719
2032	720,000	222,338	942,338
2033	750,000	191,413	941,413
2034	770,000	159,488	929,488
2035	800,000	126,563	926,563
2036	810,000	92,100	902,100
2037	840,000	56,100	896,100
2038	870,000	18,900	888,900
	<u>\$ 12,930,000</u>	<u>\$ 5,385,757</u>	<u>\$ 18,315,757</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 139
TSI-6. Change in Long-Term Bonded Debt
June 30, 2019

	Bond Issue				Totals
	Series 2012	Series 2012 Road	Series 2013	Series 2019 Refunding	
Interest rate	2.50% - 4.20%	2.00% - 4.00%	3.00% - 5.00%	3.00% - 4.00%	
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1	
Maturity dates	9/1/13 - 9/1/37	9/1/13 - 9/1/37	9/1/14 - 9/1/37	9/1/22 - 9/1/37	
Beginning bonds outstanding	\$ 5,065,000	\$ 2,420,000	\$ 6,085,000	\$ -	\$ 13,570,000
Bonds issued				4,320,000	4,320,000
Bonds refunded	(4,435,000)				(4,435,000)
Bonds retired	(145,000)	(75,000)	(305,000)		(525,000)
Ending bonds outstanding	<u>\$ 485,000</u>	<u>\$ 2,345,000</u>	<u>\$ 5,780,000</u>	<u>\$ 4,320,000</u>	<u>\$ 12,930,000</u>
Interest paid during fiscal year	<u>\$ 286,175</u>	<u>\$ 85,533</u>	<u>\$ 234,710</u>	<u>\$ -</u>	<u>\$ 606,418</u>
Paying agent's name and city	All series <u>The Bank of New York Mellon Trust Company, N.A. Dallas, TX</u>				
Bond Authority:	Water, Sewer and Drainage Bonds	Park and Recreational Bonds	Road Bonds		
Amount Authorized by Voters	\$ 97,674,000	\$ 5,500,000	\$ 21,335,000		
Amount Issued	(12,990,000)		(2,750,000)		
Remaining To Be Issued	<u>\$ 84,684,000</u>	<u>\$ 5,500,000</u>	<u>\$ 18,585,000</u>		

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

Debt Service Fund cash and investments balances as of June 30, 2019:	<u>\$ 988,967</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 963,987</u>

See accompanying auditors' report.

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Fort Bend County Municipal Utility District No. 139

**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years**

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 334,400	\$ 366,166	\$ 346,624	\$ 279,599	\$ 203,082
City of Sugar Land tax rebates	52,554	83,955	79,198	78,163	71,016
Investment earnings	5,767	2,736	2,476	545	225
Total Revenues	392,721	452,857	428,298	358,307	274,323
Expenditures					
Operating and administrative					
Professional fees	72,559	69,247	87,031	68,817	58,377
Contracted services	12,919	13,538	12,750	12,765	12,660
Administrative	25,243	26,369	29,056	23,585	21,908
Other					
Intergovernmental					
TIRZ payments	52,554	83,955	79,198	78,163	71,016
Capital outlay		350,510	342,042		
Interest		28,301	4,267		
Total Expenditures	163,275	571,920	554,344	183,330	163,961
Revenues Over/(Under) Expenditures	\$ 229,446	\$ (119,063)	\$ (126,046)	\$ 174,977	\$ 110,362

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
86%	80%	81%	78%	74%
13%	19%	18%	22%	26%
1%	1%	1%	*	*
100%	100%	100%	100%	100%
18%	15%	20%	19%	21%
3%	3%	3%	4%	5%
6%	6%	7%	7%	8%
13%	19%	18%	22%	26%
	77%	80%		
	6%	1%		
40%	126%	129%	52%	60%
60%	(26%)	(29%)	48%	40%

Fort Bend County Municipal Utility District No. 139

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	\$ 720,157	\$ 721,505	\$ 745,988	\$ 763,271	\$ 791,559
Penalties and interest	1,809	691	2,591	1,673	3,215
City of Sugar Land tax rebates	267,810	272,412	272,842	267,251	285,376
Investment earnings	7,035	4,260	3,578	2,729	2,231
Total Revenues	996,811	998,868	1,024,999	1,034,924	1,082,381
Expenditures					
Tax collection services	20,085	20,100	19,619	18,870	15,335
Other	5,432	7,932			
Debt service					
Principal	525,000	515,000	500,000	495,000	480,000
Interest and fees	607,918	532,155	546,030	559,668	573,055
Debt issuance costs	172,519				
Total Expenditures	1,330,954	1,075,187	1,065,649	1,073,538	1,068,390
Revenues Over/(Under) Expenditures	<u>\$(334,143)</u>	<u>\$ (76,319)</u>	<u>\$ (40,650)</u>	<u>\$ (38,614)</u>	<u>\$ 13,991</u>
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%	73%	73%	74%	74%
*	*	*	*	*
27%	27%	27%	26%	26%
1%	*	*	*	*
100%	100%	100%	100%	100%
2%	2%	2%	2%	1%
1%	1%			
53%	52%	49%	48%	44%
61%	53%	53%	54%	53%
17%				
134%	108%	104%	104%	98%
(34%)	(8%)	(4%)	(4%)	2%

Fort Bend County Municipal Utility District No. 139
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, Texas 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(IWC Sections 36.054 and 49.054): January 17, 2019
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:				
Gary Clayton	5/18 to 5/22	\$ 2,250	\$ 414	President
Michelle Wagner	5/16 to 5/20	4,800	1,571	Vice President
Jennifer Raymond	5/18 to 5/22	1,650	74	Secretary
Julie Sams	1/19 to 5/20	900	132	Assistant Vice President
Taylor Baumgartner	5/16 to 5/20	600	51	Assistant Secretary
C.R. Giles	5/16 to 1/19	1,500	207	Former Director
Stephen Reed	5/16 to 2/19	450	82	Former Director
Consultants:				
Allen Boone Humphries Robinson LLP		<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>	2008	\$ 58,853		
<i>Bond counsel</i>		43,293		
Myrtle Cruz, Inc.	2008	15,131		Bookkeeper
Tax Tech, Inc.	2008	10,800		Tax Collector
Fort Bend Central Appraisal District	Legislation	7,275		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	2011			Delinquent Tax Attorney
LJA Engineering & Surveying	2008	2,705		Engineer
McGrath & Co., PLLC	2011	11,000		Auditor
Masterson Advisors	2018	45,878		Financial Advisor

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