

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**MARCH 31, 2018**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**

Certified Public Accountants



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**MARCH 31, 2018**



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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and major fund of Harris County Municipal Utility District No. 136 (the "District"), as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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





## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of March 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

July 12, 2018



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2018**

Management's discussion and analysis of Harris County Municipal Utility District No. 136's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended March 31, 2018. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The basic financial statements include: (1) fund financial statements and government-wide financial statements and (2) notes to the financial statements. The fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. This report also includes required and other supplementary information in addition to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2018**

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for resources not accounted for in another fund, customer service and maintenance tax revenues, operating costs and general expenditures.

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

**NOTES TO THE FINANCIAL STATEMENTS**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$4,429,735 as of March 31, 2018.

A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2018**

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

The following is a comparative analysis of government-wide changes in net position:

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 2,300,442	\$ 2,830,079	\$ (529,637)
Capital Assets (Net of Accumulated Depreciation)	2,388,507	1,953,925	434,582
Total Assets	\$ 4,688,949	\$ 4,784,004	\$ (95,055)
Total Liabilities	\$ 259,214	\$ 182,433	\$ (76,781)
Net Position:			
Net Investment in Capital Assets	\$ 2,388,507	\$ 1,953,925	\$ 434,582
Unrestricted	2,041,228	2,647,646	(606,418)
Total Net Position	\$ 4,429,735	\$ 4,601,571	\$ (171,836)

The following table provides a summary of the District's operations for the years ended March 31, 2018, and March 31, 2017. The District's net position decreased by \$171,836.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 411,316	\$ 396,922	\$ 14,394
Charges for Services	1,068,151	1,036,901	31,250
Other Revenues	23,417	10,214	13,203
Total Revenues	\$ 1,502,884	\$ 1,444,037	\$ 58,847
Expenses for Services	1,674,720	1,348,689	(326,031)
Change in Net Position	\$ (171,836)	\$ 95,348	\$ (267,184)
Net Position, Beginning of Year	4,601,571	4,506,223	95,348
Net Position, End of Year	\$ 4,429,735	\$ 4,601,571	\$ (171,836)

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2018**

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

The District's General Fund fund balance as of March 31, 2018, was \$1,988,306, a decrease of \$609,837 from the prior year. This decrease was due to current year operations and capital outlay costs exceeding current year property tax and service revenues.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the current fiscal year. Actual revenue was \$62,235 less than budgeted revenue. Actual expenditures were \$142,016 more than budgeted expenditures, primarily due to higher capital outlay and repairs and maintenance expenditures than anticipated.

**CAPITAL ASSETS**

Capital assets as of March 31, 2018, total \$2,388,507 (net of accumulated depreciation). These capital assets include land, buildings and equipment as well as the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 56,586	\$ 56,586	\$
Construction in Progress	61,222	62,838	(1,616)
Capital Assets, Net of Accumulated Depreciation:			
Water System	1,385,243	888,077	497,166
Wastewater System	199,554	233,360	(33,806)
Drainage System	4,268	5,901	(1,633)
Equipment	26,126	29,129	(3,003)
Buildings and Improvements	17,014	17,589	(575)
Investment in Capacity of Wastewater Treatment Plant	638,494	660,445	(21,951)
Total Net Capital Assets	<u>\$ 2,388,507</u>	<u>\$ 1,953,925</u>	<u>\$ 434,582</u>

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 136, c/o Norton Rose Fulbright US LLP, 1301 McKinney Avenue, Suite 5100, Houston, TX 77010.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**MARCH 31, 2018**

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 132,559	\$	\$ 132,559
Investments	1,960,146		1,960,146
Receivables:			
Property Taxes	27,780		27,780
Penalty and Interest on Delinquent Taxes		25,142	25,142
Service Accounts	117,723		117,723
Prepaid Costs	10,109		10,109
Advance for Regional Wastewater Treatment			
Plant Operations	26,983		26,983
Land		56,586	56,586
Construction in Progress		61,222	61,222
Capital Assets (Net of Accumulated Depreciation)		<u>2,270,699</u>	<u>2,270,699</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,275,300</u>	<u>\$ 2,413,649</u>	<u>\$ 4,688,949</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 194,502	\$	\$ 194,502
Due to Taxpayers	1,058		1,058
Security Deposits	<u>63,654</u>		<u>63,654</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 259,214</u>	<u>\$ - 0 -</u>	<u>\$ 259,214</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	<u>\$ 27,780</u>	<u>\$ (27,780)</u>	<u>\$ - 0 -</u>
<b>FUND BALANCE</b>			
Nonspendable:			
Prepaid Costs	\$ 10,109	\$ (10,109)	\$
For Regional Wastewater Treatment			
Plant Operations	26,983	(26,983)	
Assigned to 2019 Budget Deficit	299,700	(299,700)	
Unassigned	<u>1,651,514</u>	<u>(1,651,514)</u>	
<b>TOTAL FUND BALANCE</b>	<u>\$ 1,988,306</u>	<u>\$ (1,988,306)</u>	<u>\$ - 0 -</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 2,275,300</u>		
<b>NET POSITION</b>			
Net Investment in Capital Assets		\$ 2,388,507	\$ 2,388,507
Unrestricted		<u>2,041,228</u>	<u>2,041,228</u>
<b>TOTAL NET POSITION</b>		<u>\$ 4,429,735</u>	<u>\$ 4,429,735</u>

The accompanying notes to the financial statements are an integral part of this report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136  
RECONCILIATION OF THE GOVERNMENTAL FUND  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
MARCH 31, 2018**

Total Fund Balance - Governmental Fund	\$	1,988,306
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Land used in governmental activities is not a financial resource and, therefore, is not reported as an asset in governmental funds.		56,586
Construction in progress in governmental activities is not a financial resources and, therefore, is not reported as an assets in governmental funds.		61,222
Capital assets are not financial resources and, therefore, are not reported as assets in governmental funds.		2,270,699
Deferred inflows of resources relatd to property tax revenues for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District.		27,780
Uncollected penalty and interest revenues for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District.		<u>25,142</u>
Total Net Position - Governmental Activities	\$	<u>4,429,735</u>

The accompanying notes to the financial statements are an integral part of this report.



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	General Fund	Adjustments	Statement of Activities
<b>REVENUES</b>			
Property Taxes	\$ 409,299	\$ 2,017	\$ 411,316
Water Service	248,963		248,963
Wastewater Service	377,719		377,719
Regional Water Authority Fees	427,269		427,269
Penalty and Interest	12,798	1,402	14,200
Miscellaneous Revenues	23,417		23,417
<b>TOTAL REVENUES</b>	<u>\$ 1,499,465</u>	<u>\$ 3,419</u>	<u>\$ 1,502,884</u>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
Professional Fees	\$ 96,815	\$	\$ 96,815
Contracted Services	261,104		261,104
Purchased Water Service	431,722		431,722
Purchased Wastewater Service	113,925		113,925
Utilities	28,206		28,206
Regional Water Authority Assessment	37,748		37,748
Repairs and Maintenance	368,224		368,224
Depreciation		203,420	203,420
Other	133,556		133,556
Capital Outlay	638,002	(638,002)	
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 2,109,302</u>	<u>\$ (434,582)</u>	<u>\$ 1,674,720</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (609,837)	\$ 609,837	\$
<b>CHANGE IN NET POSITION</b>		(171,836)	(171,836)
<b>FUND BALANCE/NET POSITION - APRIL 1, 2017</b>	<u>2,598,143</u>	<u>2,003,428</u>	<u>4,601,571</u>
<b>FUND BALANCE/NET POSITION - MARCH 31, 2018</b>	<u>\$ 1,988,306</u>	<u>\$ 2,441,429</u>	<u>\$ 4,429,735</u>

The accompanying notes to the financial statements are an integral part of this report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2018**

Net Change in Fund Balance - Governmental Fund	\$	(609,837)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		2,017
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		1,402
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(203,420)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		<u>638,002</u>
Change in Net Position - Governmental Activities	\$	<u>(171,836)</u>

The accompanying notes to the financial statements are an integral part of this report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

**NOTE 1. CREATION OF DISTRICT**

Harris County Municipal Utility District No. 136, located in Harris County, Texas (the “District”) was created by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”), effective December 6, 1974. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on January 7, 1975, and the first bonds were sold on April 29, 1976.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

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

The District is a participant in a joint venture to operate a jointly owned wastewater treatment plant. Jackrabbit Road Public Utility District has oversight on the plant. Summary financial information on the plant is described in Note 8.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Government-Wide Financial Statements (Continued)

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Fund

The District has one major governmental fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service and maintenance tax revenues, operating costs and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectible within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Fund Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$10,000 or more and a useful life of at least two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriate resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

*Nonspendable*: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted*: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

*Committed*: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

*Assigned:* amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has assigned \$299,700 of its General Fund fund balance to cover a projected budget deficit in 2019.

*Unassigned:* all other spendable amounts in the General Fund.

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

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 3. BOND AUTHORIZATION AND TAX CALENDAR**

Original Bonds Voted	<u>\$ 8,000,000</u>
Original Bonds Approved	<u>\$ 8,000,000</u>
Original Bonds Issued	<u>\$ 8,000,000</u>

The District has fully retired its \$2,750,000 Series 1976 Bonds, \$1,785,000 Series 1976-A Bonds, \$2,150,000 Series 1977 Bonds, \$1,315,000 Series 1988 Bonds, \$3,395,000 Series 1992 Refunding Bonds and \$3,584,358 Series 1998 Refunding Bonds. The District has issued a total of \$14,979,358 bonds of which \$6,979,358 have been Refunding Bonds.

The District's tax calendar is as follows:

- Levy Date - October 1, or as soon thereafter as practicable.
- Lien Date - January 1.
- Due Date - Not later than January 31.
- Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

**NOTE 4. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$132,559 and the bank balance was \$137,789. The bank balance was fully covered by federal depository insurance.

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Position at March 31, 2018, as listed below:

	Cash
GENERAL FUND	\$ 132,559

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

**NOTE 4. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

As of March 31, 2018, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
TexPool	\$ 1,960,146	\$ 1,960,146	\$ - 0 -	\$ - 0 -	\$ - 0 -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2018, the District's investment in TexPool was rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2018:

	April 1, 2017	Increases	Decreases	March 31, 2018
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 56,586	\$	\$	\$ 56,586
Construction in Progress	62,838	646,384	648,000	61,222
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 119,424</u>	<u>\$ 646,384</u>	<u>\$ 648,000</u>	<u>\$ 117,808</u>
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 3,494,295	\$ 639,618	\$	\$ 4,133,913
Wastewater System	1,521,292			1,521,292
Drainage System	73,465			73,465
Equipment	60,064			60,064
Buildings and Improvements	23,000			23,000
Investment in Capacity of Wastewater Treatment Plant	1,469,128			1,469,128
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 6,641,244</u>	<u>\$ 639,618</u>	<u>\$ - 0 -</u>	<u>\$ 7,280,862</u>
<b>Less Accumulated Depreciation</b>				
Water System	\$ 2,606,218	\$ 142,452	\$	\$ 2,748,670
Wastewater System	1,287,932	33,806		1,321,738
Drainage System	67,564	1,633		69,197
Equipment	30,935	3,003		33,938
Buildings and Improvements	5,411	575		5,986
Investment in Capacity of Wastewater Treatment Plant	808,683	21,951		830,634
<b>Total Accumulated Depreciation</b>	<u>\$ 4,806,743</u>	<u>\$ 203,420</u>	<u>\$ - 0 -</u>	<u>\$ 5,010,163</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 1,834,501</u>	<u>\$ 436,198</u>	<u>\$ - 0 -</u>	<u>\$ 2,270,699</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 1,953,925</u>	<u>\$ 1,082,582</u>	<u>\$ 648,000</u>	<u>\$ 2,388,507</u>

**NOTE 6. MAINTENANCE TAX**

On November 8, 1977, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. A maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system. During the fiscal year ended March 31, 2018, the District levied an ad valorem maintenance tax at the rate of \$0.164 per \$100 of assessed valuation, which resulted in a tax levy of \$403,386 on the adjusted taxable valuation of \$245,967,378 for the 2017 tax year.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

**NOTE 7. EMERGENCY WATER SUPPLY AGREEMENT**

On April 13, 1983, the District entered into an agreement with Harris County Municipal Utility District No. 183 (District No. 183) whereby each district will provide the other district with delivery of water during emergency conditions. A meter and valve was installed at the point of interconnection at the sole cost of District No. 183. District No. 183 is responsible for the maintenance and repair of the meter and valve, with both parties to share equally in the costs.

On April 19, 1995, the District and District No. 183 approved the First Amendment to Emergency Water Supply Agreement. On June 1, 2001, a second amendment to the agreement was executed and on July 8, 2010, a third amendment to the agreement was executed. On December 22, 2015, the fourth amendment was executed. The fourth amendment changes the price to be paid for water delivered to \$0.50 per thousand gallons of average daily usage plus the cost to purchase 1,000 gallons from the West Harris County Regional Water Authority. The term of the contract is 50 years from July 8, 2010, after which the agreement will automatically renew for successive one year-terms. The agreement may be terminated by either party, upon 60 days written notice to the other party, on any date after the 5<sup>th</sup> anniversary of the agreement.

On January 13, 2003, the District entered into an agreement with Barker-Cypress Municipal Utility District (Barker) whereby each district will provide the other district with delivery of water during emergency conditions. Under the agreement, Barker will construct water lines from the District's existing water supply systems at its own cost. Each party shall be responsible for maintaining its respective interconnect lines at its sole cost and expense. The price to be paid for water delivered pursuant to this contract during an emergency shall be \$1.00 per 1,000 gallons of water usage. If the supplying party has converted to the use of surface water in whole or in part, the price per 1,000 gallons shall be the actual cost to the supplying party to purchase surface water. The term of the contract is 50 years. The agreement may be modified at any time with the consent of both parties.

**NOTE 8. SEWAGE TREATMENT OPERATIONS AND MAINTENANCE AGREEMENT**

The District entered into an agreement with Jackrabbit Road Public Utility District (JRPUD) on September 10, 1975. Under the contract, JRPUD agreed to enlarge and expand its wastewater treatment facilities to provide service to the District. The District agreed to pay its proportionate share of the cost of engineering and construction. See Note 5 for the recording of the District's investment in the capacity of the plant as a capital asset being depreciated over the life of this agreement. The District's share of the operating cost is based on its pro rata share of capacity in the plant. The term of the agreement is 35 years. On September 11, 2002, the agreement was amended to extend the term an additional 40 years to September 10, 2050.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

**NOTE 8. SEWAGE TREATMENT OPERATIONS AND MAINTENANCE AGREEMENT (Continued)**

JRPUD's wastewater treatment facilities also serve the following districts. Their respective pro rata share of capacity in the regional sewage treatment plant are as follows:

District	Gallons Per Day	Percentage of Ownership
Barker-Cypress Municipal Utility District	1,115,000	21.86%
Harris County Utility District No. 6	1,552,000	30.43
Harris County Municipal Utility District No. 136	500,000	9.80
Harris County Municipal Utility District No. 183	635,000	12.45
Harris County Municipal Utility District No. 276	197,500	3.87
Jackrabbit Road Public Utility District	<u>1,100,500</u>	<u>21.59</u>
<b>TOTAL</b>	<u><u>5,100,000</u></u>	<u><u>100.00%</u></u>

The Board of Directors of JRPUD is solely empowered with the rights and responsibilities for management of the sewage treatment facilities. The Board of JRPUD is elected by voters of JRPUD. The Board of JRPUD exercises sole control over budgeting and financing of the sewage treatment facilities.

The following summary financial data on the Regional Sewage Treatment Plant is presented for the fiscal year ended July 31, 2017. A copy of the financial statements can be obtained by contacting Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 1400, Houston, TX 77056-3012.

	Joint Venture
	<u>General Fund</u>
Total Assets	\$ 427,991
Total Liabilities	<u>132,975</u>
Total Fund Balance	<u>\$ 295,016</u>
Total Revenues	\$ 1,794,666
Total Expenditures	<u>1,794,666</u>
Excess Revenues (Expenditures)	\$ -0-
Fund Balance, Beginning of Year	<u>295,016</u>
Fund Balance, End of Year	<u>\$ 295,016</u>

In the current fiscal year, the District's reserve for operation and maintenance of the regional sewage treatment plant was \$26,983. The District recorded a total of \$113,925 as its share of the operating costs of the plant, of which \$8,344 is payable at year end.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

**NOTE 9. SANITARY SEWER CONTRACT WITH PINE FOREST COUNTRY CLUB**

The District entered into a Sanitary Sewer Contract with Pine Forest Country Club on September 21, 1976. Under the terms of the contract the District agreed to construct, at its cost, a sanitary sewer line which will collect up to 20,000 gallons-per-day of waste from Pine Forest Country Club. The sanitary sewer line is to be owned, operated and maintained by the Club. As part of its contract with Jackrabbit Road Public Utility District, see Note 8, the District purchased an additional 20,000 gallons of capacity in the central sewage treatment plant in order to serve the Pine Forest Country Club.

The terms of the contract with Pine Forest Country Club specify that the following monthly amounts be paid to the District for providing sewer services to the Club:

1. \$200 per month during the initial 26-year term of the contract, plus
2. An amount equal to 50 times the current monthly sewer rate set by the District for its residential customers.

**NOTE 10. WATER SUPPLY AND WASTE DISPOSAL CONTRACT WITH UNIVERSITY DEVELOPMENT, INC.**

On October 8, 2003, the District entered into a Water Supply and Waste Disposal Contract with University Development, Inc. ("Landowner"). Under the terms of the contract, the Landowner agreed to construct, at its cost, a water distribution and sanitary sewer system to serve the 11.2457 acres land in the vicinity of the District. The tract's water distribution and sewer system shall be maintained and kept in proper condition and repair at the Landowner's expense. The District agreed to provide a supply of water and receive waste not to exceed 30,000 gallons per day. The price to be paid to the District for the water and wastewater shall be equal to 240% of the rates charged to a commercial connection within the District. The term of the contract is 40 years and subject to right of either party to cancel upon 360 days of notice. The contract may be terminated by the Landowner upon not less than 60 days of notice to the District at any time after annexation of the Tract by the City of Houston, Texas.

**NOTE 11. MAINTENANCE AND REPAIR**

During the current fiscal year, maintenance and repair costs totaling \$368,224 were incurred from the General Fund. Of this amount, \$77,106 was for water production facility repair and maintenance, \$63,167 was for water distribution facility repair and maintenance and \$227,951 for sewer repair and maintenance.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

**NOTE 12. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

**NOTE 13. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY**

The District is located within the boundaries of the West Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the "Act"), as passed by the seventy-seventh Texas Legislature, in 2001. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivision.

A nine-member board of directors governs the Authority. The directors serve staggered four-year terms. Each director must qualify to serve as director in the manner provided by Section 49.055 of the Water Code.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current fee for 1,000 gallons of water pumped from each well is \$2.70. The District recorded an expenditure of \$37,748 for fees assessed during the fiscal year ended March 31, 2018. In addition, the District purchased surface water from the Authority. The current fee for 1,000 gallons of surface water is \$3.10. The District recorded an expenditure of \$431,722 in relation to purchased surface water during the fiscal year ended March 31, 2018.

The Authority has provided in its Rate Order that utility district costs of piping to connect from the Authority's meter and flow control station to the District's tank(s) and for conversion of chlorine disinfection to chloramine disinfection may be eligible for reimbursement from the Authority. The district's actual and reasonable engineering costs will be eligible for reimbursement in an amount not to exceed 25% of the actual and reasonable construction costs that are eligible and approved by the Authority for reimbursement; provided, however, that such engineering costs shall not exceed \$120,000 per district water plant unless the Authority board approves and amount greater than \$120,000.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

**NOTE 13. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY**  
(Continued)

The District provided appropriate documentation and filed a claim for reimbursement to the Authority for costs related to the chloramine conversion. In a prior fiscal year, the Authority reviewed the request and, approved reimbursement to the District in the amount of \$485,165.



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**

**REQUIRED SUPPLEMENTARY INFORMATION**

**MARCH 31, 2018**



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 389,200	\$ 409,299	\$ 20,099
Water Service	300,000	248,963	(51,037)
Wastewater Service	377,000	377,719	719
Regional Water Authority Fee	475,000	427,269	(47,731)
Penalty and Interest	12,000	12,798	798
Miscellaneous Revenues	8,500	23,417	14,917
<b>TOTAL REVENUES</b>	<u>\$ 1,561,700</u>	<u>\$ 1,499,465</u>	<u>\$ (62,235)</u>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 143,583	\$ 96,815	\$ 46,768
Contracted Services	244,600	261,104	(16,504)
Purchased Water Service	400,000	431,722	(31,722)
Purchased Wastewater Service	150,000	113,925	36,075
Utilities	44,000	28,206	15,794
Regional Water Authority Assessment	80,000	37,748	42,252
Repairs and Maintenance	230,500	368,224	(137,724)
Other	143,303	133,556	9,747
Capital Outlay	531,300	638,002	(106,702)
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,967,286</u>	<u>\$ 2,109,302</u>	<u>\$ (142,016)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (405,586)	\$ (609,837)	\$ (204,251)
<b>FUND BALANCE - APRIL 1, 2017</b>	<u>2,598,143</u>	<u>2,598,143</u>	<u>                    </u>
<b>FUND BALANCE - MARCH 31, 2018</b>	<u>\$ 2,192,557</u>	<u>\$ 1,988,306</u>	<u>\$ (204,251)</u>

See accompanying independent auditor's report.

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**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**  
**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**  
**MARCH 31, 2018**



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136  
SERVICES AND RATES  
FOR THE YEAR ENDED MARCH 31, 2018**

**1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:**

<u>  X  </u>	Retail Water	_____	Wholesale Water	<u>  X  </u>	Drainage
<u>  X  </u>	Retail Wastewater	_____	Wholesale Wastewater	_____	Irrigation
_____	Parks/Recreation	_____	Fire Protection	_____	Security
<u>  X  </u>	Solid Waste/Garbage	_____	Flood Control	_____	Roads
<u>  X  </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
_____	Other (specify): _____				

**2. RETAIL SERVICE PROVIDERS**

**a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):**

Based on the rate order approved November 13, 2014.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 5.00	1,000	N	\$ 1.00 2.00 3.00	1,001 to 20,000 20,001 to 30,000 30,001 and up

WASTEWATER: \$ 28.05 Y

**SURCHARGE:**

Solid Waste/  
Garbage

Commission  
Regulatory

Assessments

Regional Water Authority Fees 100% of Regional Water Authority surface water fee of \$3.10 per 1,000 gallons of water pumped

Other (Name)

District employs winter averaging for wastewater usage?

\_\_\_\_\_   X    
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$14.00 Wastewater: \$28.05 Surcharge: \$31.00 Total: \$73.05

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136  
SERVICES AND RATES  
FOR THE YEAR ENDED MARCH 31, 2018**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ <sup>3</sup> / <sub>4</sub> "	<u>1,060</u>	<u>1,057</u>	x 1.0	<u>1,057</u>
1"	<u>3</u>	<u>3</u>	x 2.5	<u>8</u>
1½"	<u>3</u>	<u>3</u>	x 5.0	<u>15</u>
2"	<u>8</u>	<u>8</u>	x 8.0	<u>64</u>
3"			x 15.0	
4"	<u>1</u>	<u>1</u>	x 25.0	<u>25</u>
6"			x 50.0	
8"	<u>1</u>	<u>1</u>	x 80.0	<u>80</u>
10"			x 115.0	
Total Water Connections	<u><u>1,076</u></u>	<u><u>1,073</u></u>		<u><u>1,249</u></u>
Total Wastewater Connections	<u><u>1,068</u></u>	<u><u>1,066</u></u>	x 1.0	<u><u>1,066</u></u>

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

Gallons pumped into system:	10,430,000	Water Accountability Ratio: 97.4% (Gallons billed and maintenance /Gallons pumped and purchased)
Gallons billed to customers:	153,160,000	
Gallons purchased:	148,131,000	From: West Harris County Regional Water Authority
Leaks and Maintenance:	1,265,000	

See accompanying independent auditor's report.





**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2018**

PROFESSIONAL FEES:	
Auditing	\$ 11,500
Engineering	49,652
Legal	<u>35,663</u>
TOTAL PROFESSIONAL FEES	<u>\$ 96,815</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 431,722
Purchased Wastewater Service	<u>113,925</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 545,647</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 2,912
Bookkeeping	10,585
Operations and Billing	32,395
Tax Collector	<u>22,075</u>
TOTAL CONTRACTED SERVICES	<u>\$ 67,967</u>
UTILITIES:	
Electricity	\$ 24,609
Telephone	<u>3,597</u>
TOTAL UTILITIES	<u>\$ 28,206</u>
REPAIRS AND MAINTENANCE	<u>\$ 368,224</u>
ADMINISTRATIVE EXPENDITURES:	
Consumer Confidence Report	\$ 170
Director Fees	8,400
Dues	650
Insurance	12,202
Legal Notices	851
Office Supplies and Postage	37,401
Payroll Taxes	643
Travel and Meetings	671
Regional Water Authority Assessment	37,748
Other	<u>47,751</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 146,487</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED MARCH 31, 2018**

TOTAL CAPITAL OUTLAY	\$ <u>638,002</u>
SOLID WASTE DISPOSAL	\$ <u>193,137</u>
OTHER EXPENDITURES:	
Chemicals	\$ 4,101
Laboratory Fees	14,977
Permit Fees	2,651
Regulatory Assessment	<u>3,088</u>
TOTAL OTHER EXPENDITURES	\$ <u>24,817</u>
TOTAL EXPENDITURES	\$ <u>2,109,302</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136  
INVESTMENTS  
MARCH 31, 2018**

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 638,750	\$
TexPool	XXXX0003	Varies	Daily	<u>1,321,396</u>	<u>                    </u>
TOTAL GENERAL FUND				<u>\$ 1,960,146</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED MARCH 31, 2018**

	Maintenance Taxes	
TAXES RECEIVABLE -		
APRIL 1, 2017	\$ 25,763	
Adjustments to Beginning		
Balance	7,930	\$ 33,693
Original 2017 Tax Levy	\$ 378,822	
Adjustment to 2017 Tax Levy	24,564	403,386
 TOTAL TO BE ACCOUNTED FOR		 \$ 437,079
 TAX COLLECTIONS:		
Prior Years	\$ 12,998	
Current Year	396,301	409,299
 TAXES RECEIVABLE -		
MARCH 31, 2018		\$ 27,780
 TAXES RECEIVABLE BY		
YEAR:		
2017		\$ 7,085
2016		863
2015		1,125
2014		878
2013		873
2012		854
2011		784
2010		776
2009		1,327
2008		974
2007		974
2006 and Prior		11,267
 TOTAL		 \$ 27,780

See accompanying independent auditor's report.

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**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED MARCH 31, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PROPERTY VALUATIONS:				
Land	\$ 54,429,214	\$ 53,986,641	\$ 53,905,729	\$ 46,417,421
Improvements	206,047,132	210,602,801	197,878,996	183,432,825
Personal Property	5,850,207	5,458,843	5,094,253	4,969,962
Exemptions	<u>(20,359,175)</u>	<u>(27,394,817)</u>	<u>(32,860,714)</u>	<u>(31,349,557)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 245,967,378</u>	<u>\$ 242,653,468</u>	<u>\$ 224,018,264</u>	<u>\$ 203,470,651</u>
TAX RATES PER \$100 VALUATION:				
Maintenance	<u>\$ 0.164</u>	<u>\$ 0.164</u>	<u>\$ 0.178</u>	<u>\$ 0.196</u>
ADJUSTED TAX LEVY*	<u>\$ 403,386</u>	<u>\$ 397,952</u>	<u>\$ 398,753</u>	<u>\$ 398,895</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED				
	<u>98.24 %</u>	<u>99.78 %</u>	<u>99.72 %</u>	<u>99.78 %</u>

\* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 of assessed valuation approved by voters on November 8, 1977.

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amounts		
	2018	2017	2016
<b>REVENUES</b>			
Property Taxes	\$ 409,299	\$ 397,554	\$ 396,253
Water Service	248,963	257,555	256,897
Wastewater Service	377,719	376,017	376,004
Regional Water Authority Fee	427,269	388,554	370,233
Penalty and Interest	12,798	13,004	14,616
Miscellaneous Revenues	23,417	10,214	36,899
<b>TOTAL REVENUES</b>	<b>\$ 1,499,465</b>	<b>\$ 1,442,898</b>	<b>\$ 1,450,902</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 96,815	\$ 77,776	\$ 74,718
Contracted Services	261,104	261,723	275,533
Purchased Water Service	431,722	351,286	366,248
Purchased Wastewater Service	113,925	149,535	141,820
Utilities	28,206	30,663	36,266
Regional Water Authority Assessment	37,748	62,670	50,068
Repairs and Maintenance	368,224	155,515	198,169
Other	133,556	89,366	92,804
Capital Outlay	638,002	82,038	
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,109,302</b>	<b>\$ 1,260,572</b>	<b>\$ 1,235,626</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (609,837)</b>	<b>\$ 182,326</b>	<b>\$ 215,276</b>
<b>BEGINNING FUND BALANCE</b>	2,598,143	2,415,817	2,200,541
<b>ENDING FUND BALANCE</b>	<b>\$ 1,988,306</b>	<b>\$ 2,598,143</b>	<b>\$ 2,415,817</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	1,073	1,069	1,069
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	1,066	1,062	1,062

See accompanying independent auditor's report.



		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 399,029	\$ 394,646	27.2 %	27.6 %	27.4 %	28.1 %	26.7 %
268,021	297,039	16.6	17.8	17.7	18.9	20.1
375,906	377,241	25.2	26.1	25.9	26.4	25.6
357,794	389,149	28.5	26.9	25.5	25.2	26.4
14,262	14,685	0.9	0.9	1.0	1.0	1.0
6,481	1,761	1.6	0.7	2.5	0.4	0.2
<u>\$ 1,421,493</u>	<u>\$ 1,474,521</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 46,833	\$ 46,655	6.5 %	5.4 %	5.1 %	3.3 %	3.2 %
276,569	262,403	17.4	18.1	19.0	19.5	17.8
368,033	332,158	28.8	24.3	25.2	25.9	22.5
139,431	133,655	7.6	10.4	9.8	9.8	9.1
33,443	36,977	1.9	2.1	2.5	2.4	2.5
11,542	66,769	2.5	4.3	3.5	0.8	4.5
245,916	211,361	24.6	10.8	13.7	17.3	14.3
78,875	96,553	8.9	6.2	6.4	5.5	6.5
		42.5	5.7			
<u>\$ 1,200,642</u>	<u>\$ 1,186,531</u>	<u>140.7 %</u>	<u>87.3 %</u>	<u>85.2 %</u>	<u>84.5 %</u>	<u>80.4 %</u>
\$ 220,851	\$ 287,990	<u>(40.7) %</u>	<u>12.7 %</u>	<u>14.8 %</u>	<u>15.5 %</u>	<u>19.6 %</u>
<u>1,979,690</u>	<u>1,691,700</u>					
<u>\$ 2,200,541</u>	<u>\$ 1,979,690</u>					
<u>1,067</u>	<u>1,070</u>					
<u>1,060</u>	<u>1,059</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
MARCH 31, 2018**

District Mailing Address - Harris County Municipal Utility District No. 136  
c/o Norton Rose Fulbright US LLP  
1301 McKinney Avenue, 51<sup>st</sup> Floor  
Houston, TX 77010

District Telephone Number - (713) 651-3620

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees for the year ended <u>March 31, 2018</u>	Expense Reimbursements for the year ended <u>March 31, 2018</u>	<u>Title</u>
Neil Polansky	11/16 11/20 (Elected)	\$ 2,200	\$ 211	President
Barry Greer	11/14 11/18 (Elected)	\$ 1,300	\$ -0-	Vice President
Brent Phelps	11/16 11/20 (Elected)	\$ 1,800	\$ 27	Second Vice President/ Investment Officer
Jay Singleton	11/14 11/18 (Elected)	\$ 1,800	\$ 193	Secretary
Adam Rodriguez	08/17 11/18 (Appointed)	\$ 1,000	\$ -0-	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):  
June 2, 2016.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on August 13, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
MARCH 31, 2018**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended March 31, 2018</u>	<u>Title</u>
Norton Rose Fulbright US LLP	12/16/74	\$ 35,415	General Counsel
McCall Gibson Swedlund Barfoot PLLC	09/15/93	\$ 11,500	Auditor
FMatuska, Inc.	7/13/06	\$ 11,917	Bookkeeper
Hal R. Gordon	05/11/83	\$ 248	Delinquent Tax Attorney
AECOM, Inc.	12/16/74	\$ 61,315	Engineer
Blitch Associates, Inc.	10/10/13	\$ -0-	Financial Advisor
Municipal Operations & Consulting, Inc.	06/21/12	\$ 331,518	Operator
Bob Leared, RTA	06/12/79	\$ 24,493	Tax Assessor/ Collector

See accompanying independent auditor's report.

