

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2021

DRAFT SUBJECT TO CHANGE

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McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

PO Box 29584
Austin, TX 78755-5126
(512) 610-2209
www.mgsbpllc.com
E-Mail: mgsb@mgsbpllc.com

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, 2021, 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, 2021, 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 8, 2021

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2021**

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, 2021. 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, 2021**

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 \$4,453,651 as of March 31, 2021.

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, 2021**

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			
	2021	2020	Change Positive (Negative)
Current and Other Assets	\$ 2,328,890	\$ 2,574,686	\$ (245,796)
Capital Assets (Net of Accumulated Depreciation)	2,387,439	1,998,092	389,347
Total Assets	\$ 4,716,329	\$ 4,572,778	\$ 143,551
Total Liabilities	\$ 262,678	\$ 161,210	\$ (3,464)
Net Position:			
Net Investment in Capital Assets	\$ 2,387,439	\$ 1,998,092	\$ 389,347
Unrestricted	2,066,212	2,413,476	(347,264)
Total Net Position	\$ 4,453,651	\$ 4,411,568	\$ 42,083

The following table provides a summary of the District's operations for the years ended March 31, 2021, and March 31, 2020. The District's net position increased by \$42,083.

Summary of Changes in the Statement of Activities			
	2021	2020	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 418,900	\$ 395,607	\$ 23,293
Charges for Services	1,184,268	1,152,114	32,154
Other Revenues	7,774	41,668	(33,894)
Total Revenues	\$ 1,610,942	\$ 1,589,389	\$ 21,553
Expenses for Services	1,568,859	1,548,807	(20,052)
Change in Net Position	\$ 42,083	\$ 40,582	\$ 1,501
Net Position, Beginning of Year	4,411,568	4,370,986	40,582
Net Position, End of Year	\$ 4,453,651	\$ 4,411,568	\$ 42,083

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of March 31, 2021, was \$2,044,890, a decrease of \$342,612 from the prior year. This increase was due to current year expenditures and capital outlay costs exceeding 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 \$1,406 less than budgeted revenue. Actual expenditures were \$67,419 less than budgeted expenditures, primarily due to lower capital outlay, purchased water service costs, professional fees, and purchased wastewater service expenditures than anticipated offset by greater than anticipated contracted services, regional water authority assessment and repairs and maintenance.

CAPITAL ASSETS

Capital assets as of March 31, 2021, total \$2,387,439 (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			
	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 56,586	\$ 56,586	\$
Construction in Progress	726,697	104,878	621,819
Capital Assets, Net of Accumulated Depreciation:			
Water System	851,474	1,020,529	(169,055)
Wastewater System	98,039	131,845	(33,806)
Drainage System		1,021	(1,021)
Equipment	17,106	20,109	(3,003)
Buildings and Improvements	15,289	15,864	(575)
Investment in Capacity of Wastewater Treatment Plant	622,248	647,260	(25,012)
Total Net Capital Assets	\$ 2,387,439	\$ 1,998,092	\$ 389,347

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, 2021

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 154,208	\$	\$ 154,208
Investments	1,951,619		1,951,619
Receivables:			
Property Taxes	14,806		14,806
Penalty and Interest on Delinquent Taxes		6,516	6,516
Service Accounts	146,787		146,787
Prepaid Costs	10,109		10,109
Advance for Regional Wastewater Treatment			
Plant Operations	44,845		44,845
Land		56,586	56,586
Construction in Progress		726,697	726,697
Capital Assets (Net of Accumulated Depreciation)		1,604,156	1,604,156
TOTAL ASSETS	\$ 2,322,374	\$ 2,393,955	\$ 4,716,329
LIABILITIES			
Accounts Payable	\$ 194,898	\$	\$ 194,898
Due to Taxpayers	1,361		1,361
Security Deposits	66,419		66,419
TOTAL LIABILITIES	\$ 262,678	\$ - 0 -	\$ 262,678
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 14,806	\$ (14,806)	\$ - 0 -
FUND BALANCE			
Nonspendable:			
Prepaid Costs	\$ 10,109	\$ (10,109)	\$
For Regional Wastewater Treatment			
Plant Operations	44,845	(44,845)	
Unassigned	1,989,936	(1,989,936)	
TOTAL FUND BALANCE	\$ 2,044,890	\$ (2,044,890)	\$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 2,322,374		
NET POSITION			
Net Investment in Capital Assets		\$ 2,387,439	\$ 2,387,439
Unrestricted		2,066,212	2,066,212
TOTAL NET POSITION		\$ 4,453,651	\$ 4,453,651

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, 2021**

Total Fund Balance - Governmental Fund \$ 2,044,890

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. 726,697

Capital assets are not financial resources and, therefore, are not reported as assets in governmental funds. 1,604,156

Deferred inflows of resources related to property tax revenues for the 2020 and prior tax levies became part of recognized revenue in the governmental activities of the District. 14,806

Uncollected penalty and interest revenues for the 2020 and prior tax levies became part of recognized revenue in the governmental activities of the District. 6,516

Total Net Position - Governmental Activities \$ 4,453,651

DRAFT SUBJECT TO CHANGE

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, 2021

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 420,474	\$ (1,574)	\$ 418,900
Water Service	258,132		258,132
Wastewater Service	378,089		378,089
Regional Water Authority Fees	539,283		539,283
Penalty and Interest	11,842	(3,078)	8,764
Miscellaneous Revenues	7,774		7,774
TOTAL REVENUES	<u>\$ 1,615,594</u>	<u>\$ (4,652)</u>	<u>\$ 1,610,942</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 62,368	\$	\$ 62,368
Contracted Services	255,052		255,052
Purchased Water Service	390,141		390,141
Purchased Wastewater Service	182,743		182,743
Utilities	37,997		37,997
Regional Water Authority Assessment	114,530		114,530
Repairs and Maintenance	195,039		195,039
Depreciation		232,472	232,472
Other	98,517		98,517
Capital Outlay	621,819	(621,819)	
TOTAL EXPENDITURES/EXPENSES	<u>\$ 1,958,206</u>	<u>\$ (389,347)</u>	<u>\$ 1,568,859</u>
NET CHANGE IN FUND BALANCE	\$ (342,612)	\$ 342,612	\$
CHANGE IN NET POSITION		42,083	42,083
FUND BALANCE/NET POSITION - APRIL 1, 2020	<u>2,387,502</u>	<u>2,024,066</u>	<u>4,411,568</u>
FUND BALANCE/NET POSITION - MARCH 31, 2021	<u>\$ 2,044,890</u>	<u>\$ 2,408,761</u>	<u>\$ 4,453,651</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, 2021**

Net Change in Fund Balance - Governmental Fund \$ (342,612)

Amounts reported for governmental activities in the Statement of Activities are different because:

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. (1,574)

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. (3,078)

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. (232,472)

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. 621,819

Change in Net Position - Governmental Activities \$ 42,083

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, 2021

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, 2021

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.

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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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. Engineering fees and certain other costs are capitalized as part of the asset. The District chose to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements.

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. Water, wastewater and drainage facilities will be depreciated over periods ranging from 10 to 45 years, buildings over 40 years and all other equipment over periods ranging from 3 to 20 years.

Budgeting

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 original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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 appropriable 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.

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 does not have any assigned fund balances.

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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

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.

All property values and exempt status, if any, are determined by the 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.

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 \$154,208 and the bank balance was \$165,921. 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, 2021, as listed below:

	Cash
GENERAL FUND	\$ 154,208

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

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.

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 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, 2021, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	<u>\$1,951,619</u>	<u>\$1,951,619</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2021, the District’s investment in TexPool was rated AAAM by Standard and Poor’s.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2021:

	April 1, 2020	Increases	Decreases	March 31, 2021
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 56,586	\$	\$	\$ 56,586
Construction in Progress	104,878	621,819		726,697
Total Capital Assets Not Being Depreciated	\$ 161,464	\$ 621,819	\$ - 0 -	\$ 783,283
Capital Assets Subject to Depreciation				
Water System	\$ 4,133,913	\$	\$	\$ 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	1,530,350			1,530,350
Total Capital Assets Subject to Depreciation	\$ 7,342,084	\$ - 0 -	\$ - 0 -	\$ 7,342,084
Less Accumulated Depreciation				
Water System	\$ 3,113,384	\$ 169,055	\$	\$ 3,282,439
Wastewater System	1,389,447	33,806		1,423,253
Drainage System	72,444	1,021		73,465
Equipment	39,955	3,003		42,958
Buildings and Improvements	7,136	575		7,711
Investment in Capacity of Wastewater Treatment Plant	883,090	25,012		908,102
Total Accumulated Depreciation	\$ 5,505,456	\$ 232,472	\$ - 0 -	\$ 5,737,928
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 1,836,628	\$ (232,472)	\$ - 0 -	\$ 1,604,156
Total Capital Assets, Net of Accumulated Depreciation	\$ 1,998,092	\$ 389,347	\$ - 0 -	\$ 2,387,439

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

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, 2021, the District levied an ad valorem maintenance tax at the rate of \$0.166 per \$100 of assessed valuation, which resulted in a tax levy of \$419,490 on the adjusted taxable valuation of \$252,705,187 for the 2020 tax year.

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 5th 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

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.

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>
TOTAL	<u>5,100,000</u>	<u>100.00%</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, 2020. 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

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

	Joint Venture
	General Fund
Total Assets	\$ 584,498
Total Liabilities	<u>131,455</u>
Total Fund Balance	<u>\$ 453,043</u>
Total Revenues	\$ 1,537,315
Total Expenditures	<u>1,555,171</u>
Excess Revenues (Expenditures)	\$ (17,856)
Increase in Reserve	137,066
Insurance proceeds	14,071
Reimbursement from government entity	3,785
Fund Balance, Beginning of Year	<u>315,977</u>
Fund Balance, End of Year	<u>\$ 453,043</u>

During the current fiscal year, the District's reserve for operation and maintenance of the regional sewage treatment plant was \$44,845. The District recorded a total of \$182,743 as its share of the operating costs of the plant, of which \$21,131 is payable at year end.

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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

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 \$195,039 were incurred from the General Fund. Of this amount, \$59,937 was for water production facility repair and maintenance, \$88,372 was for water distribution facility repair and maintenance and \$46,730 for sewer repair and maintenance.

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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

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

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 \$3.45. The District recorded an expenditure of \$114,530 for fees assessed during the fiscal year ended March 31, 2021. In addition, the District purchased surface water from the Authority. The current fee for 1,000 gallons of surface water is \$3.85. The District recorded an expenditure of \$390,141 in relation to purchased surface water during the fiscal year ended March 31, 2021.

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.

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.

NOTE 14. UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which could have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2021

DRAFT SUBJECT TO CHANGE

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, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 388,500	\$ 420,474	\$ 31,974
Water Service	270,000	258,132	(11,868)
Wastewater Service	380,000	378,089	(1,911)
Regional Water Authority Fee	530,000	539,283	9,283
Penalty and Interest	12,000	11,842	(158)
Miscellaneous Revenues	36,500	7,774	(28,726)
TOTAL REVENUES	<u>\$ 1,617,000</u>	<u>\$ 1,615,594</u>	<u>\$ (1,406)</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 77,000	\$ 62,368	\$ 14,632
Contracted Services	239,400	255,052	(15,652)
Purchased Water Service	430,000	390,141	39,859
Purchased Wastewater Service	188,000	182,743	5,257
Utilities	30,000	37,997	(7,997)
Regional Water Authority Assessment	100,000	114,530	(14,530)
Repairs and Maintenance	190,500	195,039	(4,539)
Other	100,725	98,517	2,208
Capital Outlay	670,000	621,819	48,181
TOTAL EXPENDITURES	<u>\$ 2,025,625</u>	<u>\$ 1,958,206</u>	<u>\$ 67,419</u>
NET CHANGE IN FUND BALANCE	\$ (408,625)	\$ (342,612)	\$ 66,013
FUND BALANCE - APRIL 1, 2020	<u>2,387,502</u>	<u>2,387,502</u>	
FUND BALANCE - MARCH 31, 2021	<u>\$ 1,978,877</u>	<u>\$ 2,044,890</u>	<u>\$ 66,013</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MARCH 31, 2021

DRAFT SUBJECT TO CHANGE

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2020**

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 March 11, 2021.

	<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: \$ 28.77 Y

SURCHARGE:

Solid Waste/
Garbage

Commission
Regulatory

Assessments

Regional Water Authority Fees 100% of Regional Water Authority surface water fee of \$3.85 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: \$28.77 Surcharge: \$38.50 Total: \$81.27

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2020**

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	
≤ ³ / ₄ "	<u>1,059</u>	<u>1,055</u>	x 1.0	<u>1,055</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>6</u>	x 8.0	<u>48</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>1,075</u></u>	<u><u>1,069</u></u>		<u><u>1,231</u></u>
Total Wastewater Connections	<u><u>1,071</u></u>	<u><u>1,065</u></u>	x 1.0	<u><u>1,065</u></u>

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

Gallons pumped into system:	143,788,000	Water Accountability Ratio: 96.0% (Gallons billed and maintenance /Gallons pumped and purchased)
Gallons billed to customers:	154,311,000	
Gallons purchased:	16,660,000	From: West Harris County Regional Water Authority
Leaks and Maintenance:	60,000	

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2020**

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ___ No X

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No ___

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ___ Partly ___ Not at all X

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely X Partly ___ Not at all ___

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ___ No X

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2021

PROFESSIONAL FEES:	
Auditing	\$ 11,750
Engineering	6,035
Legal	<u>44,583</u>
TOTAL PROFESSIONAL FEES	<u>\$ 62,368</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 390,141
Purchased Wastewater Service	<u>182,743</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 572,884</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 2,962
Bookkeeping	10,285
Operations and Billing	31,893
Solid Waste Disposal	187,427
Tax Collector	<u>22,485</u>
TOTAL CONTRACTED SERVICES	<u>\$ 255,052</u>
UTILITIES:	
Electricity	\$ 30,840
Telephone	<u>7,157</u>
TOTAL UTILITIES	<u>\$ 37,997</u>
REPAIRS AND MAINTENANCE	<u>\$ 195,039</u>
ADMINISTRATIVE EXPENDITURES:	
Consumer Confidence Report	\$ 139
Director Fees	12,200
Dues	675
Insurance	14,356
Legal Notices	851
Office Supplies and Postage	37,300
Payroll Taxes	933
Travel and Meetings	189
Regional Water Authority Assessment	<u>114,530</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 181,173</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2021**

TOTAL CAPITAL OUTLAY	\$ <u>621,819</u>
TAP CONNECTIONS	\$ <u>6,080</u>
OTHER EXPENDITURES:	
Chemicals	\$ 4,043
Laboratory Fees	15,941
Permit Fees	2,773
Regulatory Assessment	<u>3,037</u>
TOTAL OTHER EXPENDITURES	\$ <u>25,794</u>
TOTAL EXPENDITURES	\$ <u>1,958,206</u>

DRAFT SUBJECT TO CHANGE

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
INVESTMENTS
MARCH 31, 2021**

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 757,264	\$
TexPool	XXXX0003	Varies	Daily	1,194,355	
TOTAL GENERAL FUND				<u>\$ 1,951,619</u>	<u>\$ - 0 -</u>

DRAFT SUBJECT TO CHANGE

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2021**

	Maintenance Taxes	
TAXES RECEIVABLE -		
APRIL 1, 2020	\$ 16,380	
Adjustments to Beginning		
Balance	(590)	\$ 15,790
Original 2020 Tax Levy	\$ 385,158	
Adjustment to 2020 Tax Levy	34,332	419,490
TOTAL TO BE ACCOUNTED FOR		\$ 435,280
TAX COLLECTIONS:		
Prior Years	\$ 7,055	
Current Year	413,419	420,474
TAXES RECEIVABLE -		
MARCH 31, 2021		\$ 14,806
TAXES RECEIVABLE BY		
YEAR:		
2020		\$ 6,071
2019		732
2018		634
2017		449
2016		367
2015		611
2014		360
2013		356
2012		356
2011		356
2010		366
2009 and Prior		4,148
TOTAL		\$ 14,806

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2021**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
PROPERTY VALUATIONS:				
Land	\$ 59,386,494	\$ 54,434,711	\$ 54,452,306	\$ 54,429,214
Improvements	209,092,854	204,429,083	205,805,021	206,047,132
Personal Property	6,142,784	6,003,373	5,730,635	5,850,207
Exemptions	<u>(21,916,945)</u>	<u>(21,826,003)</u>	<u>(20,143,860)</u>	<u>(20,359,175)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 252,705,187</u>	<u>\$ 243,041,164</u>	<u>\$ 245,844,102</u>	<u>\$ 245,967,378</u>
TAX RATES PER \$100 VALUATION:				
Maintenance	<u>\$ 0.166</u>	<u>\$ 0.163</u>	<u>\$ 0.164</u>	<u>\$ 0.164</u>
ADJUSTED TAX LEVY*	<u>\$ 419,490</u>	<u>\$ 396,157</u>	<u>\$ 400,726</u>	<u>\$ 403,386</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED				
	<u>98.55 %</u>	<u>99.82 %</u>	<u>99.84 %</u>	<u>99.89 %</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.

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

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 420,474	\$ 409,124	\$ 397,459
Water Service	258,132	253,970	242,309
Wastewater Service	378,089	377,920	375,698
Regional Water Authority Fee	539,283	494,530	415,761
Penalty and Interest	11,842	42,578	12,411
Miscellaneous Revenues	7,774	41,668	39,095
TOTAL REVENUES	\$ 1,615,594	\$ 1,619,790	\$ 1,482,733
EXPENDITURES			
Professional Fees	\$ 62,368	\$ 80,921	\$ 72,346
Contracted Services	255,052	252,889	253,868
Purchased Water Service	390,141	436,170	281,419
Purchased Wastewater Service	182,743	137,516	155,846
Utilities	37,997	33,432	34,225
Regional Water Authority Assessment	114,530	85,459	155,056
Repairs and Maintenance	195,039	179,711	250,475
Other	98,517	96,658	92,458
Capital Outlay	621,819	88,985	15,893
TOTAL EXPENDITURES	\$ 1,958,206	\$ 1,391,741	\$ 1,311,586
NET CHANGE IN FUND BALANCE	\$ (342,612)	\$ 228,049	\$ 171,147
BEGINNING FUND BALANCE	2,387,502	2,159,453	1,988,306
ENDING FUND BALANCE	\$ 2,044,890	\$ 2,387,502	\$ 2,159,453
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,069	1,067	1,070
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,065	1,060	1,064

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2018	2017	2021	2020	2019	2018	2017
\$ 409,299	\$ 397,554	26.0 %	25.5 %	26.8 %	27.3 %	27.6 %
248,963	257,555	16.0	15.6	16.3	16.6	17.8
377,719	376,017	23.4	23.3	25.3	25.2	26.1
427,269	388,554	33.4	30.5	28.0	28.5	26.9
12,798	13,004	0.7	2.6	0.8	0.9	0.9
23,417	10,214	0.5	2.5	2.6	1.6	0.7
<u>\$ 1,499,465</u>	<u>\$ 1,442,898</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 96,815	\$ 77,776	3.9 %	5.0 %	4.9 %	6.5 %	5.4 %
261,104	261,723	15.8	15.6	17.1	17.4	18.1
431,722	351,286	24.1	26.9	19.0	28.8	24.3
113,925	149,535	11.3	8.5	10.5	7.6	10.4
28,206	30,663	2.4	2.1	2.3	1.9	2.1
37,748	62,670	7.1	5.3	10.5	2.5	4.3
368,224	155,515	12.1	11.1	16.9	24.6	10.8
133,556	89,366	6.1	6.0	6.2	8.9	6.2
638,002	82,038	38.5	5.5	1.1	42.5	5.7
<u>\$ 2,109,302</u>	<u>\$ 1,260,572</u>	<u>121.3 %</u>	<u>85.9 %</u>	<u>88.5 %</u>	<u>140.7 %</u>	<u>87.4 %</u>
\$ (609,837)	\$ 182,326	<u>(21.3) %</u>	<u>14.1 %</u>	<u>11.5 %</u>	<u>(40.7) %</u>	<u>12.6 %</u>
<u>2,598,143</u>	<u>2,415,817</u>					
<u>\$ 1,988,306</u>	<u>\$ 2,598,143</u>					
<u>1,073</u>	<u>1,069</u>					
<u>1,066</u>	<u>1,062</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2021**

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

District Telephone Number - (713) 651-3620

Board Members	Term of Office (Elected or Appointed)	Fees for the year ended March 31, 2021	Expense Reimbursements for the year ended March 31, 2021	Title
Neil Polansky	11/20 11/24 (Elected)	\$ 2,500	\$ -0-	President
Barry Greer	11/18 11/22 (Elected)	\$ 2,000	\$ -0-	Vice President
Brent Phelps	11/20 11/24 (Elected)	\$ 2,100	\$ 162	Second Vice President/ Investment Officer
Adam Rodriguez	11/18 11/22 (Elected)	\$ 1,700	\$ -0-	Secretary
Eric Worthington	11/19 11/22 (Appointed)	\$ 2,000	\$ 71	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: November 18, 2019

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, 2021**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended March 31, 2021</u>	<u>Title</u>
Norton Rose Fulbright US LLP	12/16/74	\$ 44,332	General Counsel
McCall Gibson Swedlund Barfoot PLLC	09/15/93	\$ 11,750	Auditor
FMatuska, Inc.	7/13/06	\$ 12,506	Bookkeeper
Hal R. Gordon	05/11/83	\$ 251	Delinquent Tax Attorney
Pape-Dawson Engineers, Inc.	07/12/18	\$ 33,501	Engineer
Blitch Associates, Inc.	10/10/13	\$ -0-	Financial Advisor
Municipal Operations & Consulting, Inc.	06/21/12	\$ 214,737	Operator
Bob Leared, RTA	06/12/79	\$ 24,599	Tax Assessor/ Collector

See accompanying independent auditor's report.