

**BRAZORIA COUNTY MUNICIPAL
UTILITY DISTRICT NO. 39**

BRAZORIA COUNTY, TEXAS

FINANCIAL REPORT

March 31, 2019

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Certified Public Accountants
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Independent Auditors' Report

Board of Directors
Brazoria County Municipal Utility District No. 39
Brazoria County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Brazoria County Municipal Utility District No. 39, as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Brazoria County Municipal Utility District No. 39
Brazoria County, Texas

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Brazoria County Municipal Utility District No. 39, as of March 31, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

McGrath & Co., P.C.C.

Houston, Texas

July 23, 2019

Management's Discussion and Analysis

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Brazoria County Municipal Utility District No. 39

Management's Discussion and Analysis

March 31, 2019

Using this Annual Report

Within this section of the financial report of Brazoria County Municipal Utility District No. 39 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended March 31, 2019. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

Brazoria County Municipal Utility District No. 39

Management's Discussion and Analysis

March 31, 2019

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at March 31, 2019, was negative \$16,738,115. This amount is negative because the District incurs debt to construct public roads which it conveys to Brazoria County. A comparative summary of the District's overall financial position, as of March 31, 2019 and 2018, is as follows:

	2019	2018
Current and other assets	\$ 2,177,603	\$ 1,062,418
Capital assets	30,774,543	28,680,202
Total assets	<u>32,952,146</u>	<u>29,742,620</u>
Current liabilities	2,838,185	2,990,792
Long-term liabilities	46,852,076	40,975,532
Total liabilities	<u>49,690,261</u>	<u>43,966,324</u>
Net position		
Net investment in capital assets	(5,935,371)	(3,780,986)
Restricted	941,649	410,520
Unrestricted	(11,744,393)	(10,853,238)
Total net position	<u>\$ (16,738,115)</u>	<u>\$ (14,223,704)</u>

Brazoria County Municipal Utility District No. 39**Management's Discussion and Analysis****March 31, 2019**

The total net position of the District decreased during the current fiscal year by \$2,514,411. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2019</u>	<u>2018</u>
Revenues		
Water and sewer service	\$ 539,511	\$ 262,286
Property taxes, penalties and interest	1,693,732	863,231
Other	<u>419,396</u>	<u>484,433</u>
Total revenues	<u>2,652,639</u>	<u>1,609,950</u>
Expenses		
Current service operations	1,378,047	1,095,606
Intergovernmental	287,564	218,706
Interest and fees	569,728	290,245
Developer interest	627,541	567,753
Debt issuance costs	671,244	540,781
Depreciation	<u>833,991</u>	<u>698,808</u>
Total expenses	<u>4,368,115</u>	<u>3,411,899</u>
Change in net position before other item	(1,715,476)	(1,801,949)
Other item		
Transfers to other governments	<u>(798,935)</u>	<u>(2,997,796)</u>
Change in net position	(2,514,411)	(4,799,745)
Net position, beginning of year	<u>(14,223,704)</u>	<u>(9,423,959)</u>
Net position, end of year	<u>\$ (16,738,115)</u>	<u>\$ (14,223,704)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of March 31, 2019, were \$1,916,071, which consists of \$693,734 in the General Fund, \$1,005,494 in the Debt Service Fund and \$216,843 in the Capital Projects Fund.

Brazoria County Municipal Utility District No. 39

Management's Discussion and Analysis

March 31, 2019

General Fund

A comparative summary of the General Fund's financial position as of March 31, 2019 and 2018 is as follows:

	2019	2018
Total assets	<u>\$ 946,528</u>	<u>\$ 583,291</u>
Total liabilities	\$ 165,602	\$ 122,300
Total deferred inflows	87,192	11,800
Total fund balance	<u>693,734</u>	<u>449,191</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 946,528</u>	<u>\$ 583,291</u>

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

	2019	2018
Total revenues	\$ 1,757,492	\$ 1,339,320
Total expenditures	(1,512,949)	(1,193,895)
Revenues over expenditures	<u>\$ 244,543</u>	<u>\$ 145,425</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water and sewer revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District

Brazoria County Municipal Utility District No. 39

Management's Discussion and Analysis

March 31, 2019

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of March 31, 2019 and 2018 is as follows:

	2019	2018
Total assets	<u>\$ 1,013,847</u>	<u>\$ 458,613</u>
Total liabilities	\$ 127	\$ 462
Total deferred inflows	8,226	6,475
Total fund balance	<u>1,005,494</u>	<u>451,676</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,013,847</u>	<u>\$ 458,613</u>

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

	2019	2018
Total revenues	\$ 814,920	\$ 267,188
Total expenditures	(529,652)	(253,504)
Revenues over expenditures	285,268	13,684
Other changes in fund balance	268,550	235,294
Net change in fund balance	<u>\$ 553,818</u>	<u>\$ 248,978</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues and capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of March 31, 2019 and 2018 is as follows:

	2019	2018
Total assets	<u>\$ 217,228</u>	<u>\$ 28,066</u>
Total liabilities	\$ 385	\$ 7,951
Total fund balance	216,843	20,115
Total liabilities and fund balance	<u>\$ 217,228</u>	<u>\$ 28,066</u>

Brazoria County Municipal Utility District No. 39

Management's Discussion and Analysis

March 31, 2019

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 3,084	\$ 382
Total expenditures	<u>(5,980,806)</u>	<u>(6,775,993)</u>
Revenues under expenditures	(5,977,722)	(6,775,611)
Other changes in fund balance	6,174,450	6,835,243
Net change in fund balance	<u>\$ 196,728</u>	<u>\$ 59,632</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of unlimited tax bonds and bond anticipation notes to finance infrastructure improvements within the District.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$84,801 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

Capital Assets

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

Brazoria County Municipal Utility District No. 39**Management's Discussion and Analysis****March 31, 2019**

Capital assets held by the District at March 31, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ 7,006,275</u>	<u>\$ 6,871,261</u>
Capital assets being depreciated		
Water, wastewater, and drainage facilities	14,377,978	13,621,779
Interest in joint facilities	6,663,580	6,664,587
Landscaping improvements	<u>5,218,831</u>	<u>3,180,705</u>
	<u>26,260,389</u>	<u>23,467,071</u>
Less accumulated depreciation		
Water, wastewater, and drainage facilities	(1,087,362)	(767,852)
Interest in joint facilities	(542,358)	(394,278)
Landscaping improvements	<u>(862,401)</u>	<u>(496,000)</u>
	<u>(2,492,121)</u>	<u>(1,658,130)</u>
Depreciable capital assets, net	<u>23,768,268</u>	<u>21,808,941</u>
Capital assets, net	<u>\$ 30,774,543</u>	<u>\$ 28,680,202</u>

Capital asset additions during the current year include the following:

- Pomona, Phases 2A and 2B - landscaping improvements
- Pomona, Section 8 - water, sanitary sewer, and drainage facilities
- Pedestrian bridge to serve Pomona lake "B"

Brazoria County assumes responsibility for all road facilities constructed within the county. Consequently, these projects are not recorded as capital assets on the District's financial statements, but are recorded as transfers to other governments upon completion of construction. For the year ended March 31, 2019, capital assets in the amount of \$798,935 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

Long-Term Debt and Related Liabilities

As of March 31, 2019, the District owes \$29,931,210 to developers for completed projects and operating advances. As discussed in Note 7, the District has an additional commitment in the amount of \$1,014,585 for projects under construction by the developer. As previously mentioned, the District will owe its developer for these projects upon completion of construction, at which time the cost of the capital asset and related liability will be estimated and recorded on the District's financial statements. The estimated cost is trued up when the developer is reimbursed. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds.

Brazoria County Municipal Utility District No. 39

Management's Discussion and Analysis

March 31, 2019

At March 31, 2019 and 2018, the District had total bonded debt outstanding as shown below:

Series	2019	2018
2016 Road	\$ 4,900,000	\$ 4,900,000
2017	2,070,000	2,070,000
2017 Road	3,295,000	3,295,000
2018	4,410,000	
2018 Road	2,630,000	
	<u>\$ 17,305,000</u>	<u>\$ 10,265,000</u>

During the year, the District issued \$4,410,000 in unlimited tax bonds for the utility system and \$2,630,000 in unlimited tax road bonds. At March 31, 2019, the District had \$306,020,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$59,000,000 for parks and recreational facilities and the refunding of such bonds; and \$150,175,000 for road improvements and the refunding of such bonds.

During the year, the District issued a \$2,340,000 bond anticipation note (BAN) to provide short term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 6 for additional information.

Next Year's Budget

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

	2019 Actual	2020 Budget
Total revenues	\$ 1,757,492	\$ 2,156,479
Total expenditures	(1,512,949)	(1,076,424)
Revenues over expenditures	244,543	1,080,055
Beginning fund balance	449,191	693,734
Ending fund balance	<u>\$ 693,734</u>	<u>\$ 1,773,789</u>

Basic Financial Statements

Brazoria County Municipal Utility District No. 39
Statement of Net Position and Governmental Funds Balance Sheet
March 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 82,798	\$ 70,924	\$ 10,263	\$ 163,985	\$ -	\$ 163,985
Investments	628,876	965,927	206,965	1,801,768		1,801,768
Taxes receivable	87,192	8,226		95,418		95,418
Customer service receivables	63,235			63,235		63,235
Internal balances	31,230	(31,230)				
Prepaid items	53,197			53,197		53,197
Capital assets not being depreciated					7,006,275	7,006,275
Capital assets, net					23,768,268	23,768,268
Total Assets	\$ 946,528	\$1,013,847	\$ 217,228	\$ 2,177,603	30,774,543	32,952,146
Liabilities						
Accounts payable	\$ 88,477	\$ -	\$ 385	\$ 88,862		88,862
Other payables		127		127		127
Customer deposits	75,575			75,575		75,575
Unearned revenue	1,550			1,550		1,550
Accrued interest payable					72,071	72,071
Bond anticipation note payable					2,340,000	2,340,000
Due to developers					29,931,210	29,931,210
Long-term debt						
Due within one year					260,000	260,000
Due after one year					16,920,866	16,920,866
Total Liabilities	165,602	127	385	166,114	49,524,147	49,690,261
Deferred Inflows of Resources						
Deferred property taxes						
	87,192	8,226	95,418	(95,418)		
Fund Balance/Net Position						
Fund Balance						
Nonspendable	53,197			53,197	(53,197)	
Restricted		1,005,494	216,843	1,222,337	(1,222,337)	
Unassigned	640,537			640,537	(640,537)	
Total Fund Balance	693,734	1,005,494	216,843	1,916,071	(1,916,071)	
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 946,528	\$1,013,847	\$ 217,228	\$ 2,177,603		
Net Position						
Net investment in capital assets					(5,935,371)	(5,935,371)
Restricted for debt service					941,649	941,649
Unrestricted					(11,744,393)	(11,744,393)
Total Net Position					\$ (16,738,115)	\$ (16,738,115)

See notes to basic financial statements.

Brazoria County Municipal Utility District No. 39

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances

For the Year Ended March 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 251,867	\$ -	\$ -	\$ 251,867	\$ -	\$ 251,867
Sewer service	287,644			287,644		287,644
Property taxes	803,751	797,504		1,601,255	77,143	1,678,398
Penalties and interest	11,780	3,554		15,334		15,334
Groundwater pumpage fees	1,378			1,378		1,378
Tap connection and inspection	385,926			385,926		385,926
Miscellaneous	10,590	885		11,475		11,475
Investment earnings	4,556	12,977	3,084	20,617		20,617
Total Revenues	<u>1,757,492</u>	<u>814,920</u>	<u>3,084</u>	<u>2,575,496</u>	<u>77,143</u>	<u>2,652,639</u>
Expenditures/Expenses						
Current service operations						
Purchased services	124,546			124,546		124,546
Professional fees	152,180		128,007	280,187		280,187
Contracted services	311,234	9,125		320,359		320,359
Repairs and maintenance	394,394			394,394		394,394
Utilities	65,508			65,508		65,508
Lease	107,988			107,988		107,988
Administrative	50,938	7,845	72	58,855		58,855
Other	18,597	7,613		26,210		26,210
Intergovernmental						
Capital contribution	287,564			287,564		287,564
Capital outlay			4,518,895	4,518,895	(4,518,895)	
Debt service						
Interest and fees	505,069		35,047	540,116	29,612	569,728
Developer interest			627,541	627,541		627,541
Debt issuance costs			671,244	671,244		671,244
Depreciation					833,991	833,991
Total Expenditures/Expenses	<u>1,512,949</u>	<u>529,652</u>	<u>5,980,806</u>	<u>8,023,407</u>	<u>(3,655,292)</u>	<u>4,368,115</u>
Revenues Over/(Under)						
Expenditures/Expenses	244,543	285,268	(5,977,722)	(5,447,911)	3,732,435	(1,715,476)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds		268,550	6,771,450	7,040,000	(7,040,000)	
Proceeds from bond anticipation note			2,340,000	2,340,000	(2,340,000)	
Repayment of bond anticipation note			(2,820,000)	(2,820,000)	2,820,000	
Repayment of operating advances			(117,000)	(117,000)	117,000	
Other Item						
Transfers to other governments					(798,935)	(798,935)
Net Change in Fund Balance	244,543	553,818	196,728	995,089	(995,089)	
Change in Net Position					(2,514,411)	(2,514,411)
Fund Balance/Net Position						
Beginning of the year	449,191	451,676	20,115	920,982	(15,144,686)	(14,223,704)
End of the year	<u>\$ 693,734</u>	<u>\$1,005,494</u>	<u>\$ 216,843</u>	<u>\$1,916,071</u>	<u>\$ (18,654,186)</u>	<u>\$ (16,738,115)</u>

See notes to basic financial statements.

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Brazoria County Municipal Utility District No. 39

Notes to Basic Financial Statements

March 31, 2019

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Brazoria County Municipal Utility District No. 39 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated January 23, 2007, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on February 12, 2007 and the first bonds were issued on November 17, 2016.

The District’s primary activities include construction, maintenance and operation of water, sewer, drainage and park facilities. As further discussed in Note 10, the District constructs roads that are conveyed to Brazoria County for maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The Governmental Accounting Standards Board has established the criteria for determining whether or not an entity is a primary government, a component unit of a primary government or a related organization. A primary government has a separately elected governing body; is legally separate; and is fiscally independent of other state and local governments. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

Brazoria County Municipal Utility District No. 39

Notes to Basic Financial Statements

March 31, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary sources of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer, drainage, roads, and parks and recreational facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Brazoria County Municipal Utility District No. 39

Notes to Basic Financial Statements

March 31, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At March 31, 2019, allowances for uncollectible accounts were not considered necessary.

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated using the straight-line method as follows:

Assets	Useful Life
Water, wastewater, and drainage facilities	45 years
Interest in joint facilities	45 years
Landscaping improvements	10 – 30 years

The District's detention facilities and drainage channels are considered improvements to land and are non-depreciable.

Brazoria County Municipal Utility District No. 39

Notes to Basic Financial Statements

March 31, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and capitalized interest from sale of bonds and property taxes levied for debt service in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

Brazoria County Municipal Utility District No. 39

Notes to Basic Financial Statements

March 31, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of unbilled utility receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to Brazoria County and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Brazoria County Municipal Utility District No. 39

Notes to Basic Financial Statements

March 31, 2019

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental fund	\$ 1,916,071
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 33,266,664
Less accumulated depreciation	<u>(2,492,121)</u>
Change due to capital assets	30,774,543

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Bonds payable, net	(17,180,866)
Interest payable on bonds	(72,071)
Bond anticipation note payable	<u>(2,340,000)</u>
Change due to long-term debt	(19,592,937)

Amounts due to the District's developers for prefunded construction and operating advances are recorded as a liability in the *Statement of Net Position*.

(29,931,210)

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

95,418

Total net position - governmental activities	<u>\$ (16,738,115)</u>
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Brazoria County Municipal Utility District No. 39

Notes to Basic Financial Statements

March 31, 2019

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds	\$ 995,089
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest.

	77,143
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Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 4,518,895
Depreciation expense	<u>(833,991)</u>
	3,684,904

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Issuance of long term debt	(7,040,000)
Issuance of bond anticipation note	(2,340,000)
Repayment of bond anticipation note	2,820,000
Interest expense accrual	<u>(29,612)</u>
	(6,589,612)

Amounts paid to the District's developers for operating advances use financial resources at the fund level, but are recorded as a reduction in the liability in the *Statement of Net Position*.

	117,000
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The District conveys public roads to Brazoria County upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments.

	(798,935)
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Change in net position of governmental activities	<u>\$ (2,514,411)</u>
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Brazoria County Municipal Utility District No. 39

Notes to Basic Financial Statements

March 31, 2019

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of March 31, 2019, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 628,876		
	Debt Service	965,927		
	Capital Projects	206,965		
	Total	<u>\$ 1,801,768</u>	AAAm	27 days

Brazoria County Municipal Utility District No. 39

Notes to Basic Financial Statements

March 31, 2019

Note 3 – Deposits and Investments (continued)

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District's position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances

Amounts due to/from other funds at March 31, 2019, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 31,230	Maintenance tax collections not remitted as of year end

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Brazoria County Municipal Utility District No. 39

Notes to Basic Financial Statements

March 31, 2019

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended March 31, 2019, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	<u>\$ 6,871,261</u>	<u>\$ 135,014</u>	<u>\$ 7,006,275</u>
Capital assets being depreciated			
Water, wastewater, and drainage facilities	13,621,779	756,199	14,377,978
Interest in joint facilities	6,664,587	(1,007)	6,663,580
Landscaping improvements	3,180,705	2,038,126	5,218,831
	<u>23,467,071</u>	<u>2,793,318</u>	<u>26,260,389</u>
Less accumulated depreciation			
Water, wastewater, and drainage facilities	(767,852)	(319,510)	(1,087,362)
Interest in joint facilities	(394,278)	(148,080)	(542,358)
Landscaping improvements	(496,000)	(366,401)	(862,401)
	<u>(1,658,130)</u>	<u>(833,991)</u>	<u>(2,492,121)</u>
Subtotal depreciable capital assets, net	<u>21,808,941</u>	<u>1,959,327</u>	<u>23,768,268</u>
Capital assets, net	<u>\$ 28,680,202</u>	<u>\$ 2,094,341</u>	<u>\$ 30,774,543</u>

Depreciation expense for the current year was \$833,991.

Note 6 – Bond Anticipation Note

The District uses a bond anticipation note (BAN) to provide short term financing for reimbursements to its developers. Despite its short term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of \$2,820,000. This BAN was repaid on June 28, 2018 with proceeds from the issuance of the District's Series 2018 Unlimited Tax Bonds.

On December 4, 2018, the District issued a \$2,340,000 BAN with an interest rate of 2.77%, which is due on December 3, 2019.

Brazoria County Municipal Utility District No. 39

Notes to Basic Financial Statements

March 31, 2019

Note 6 – Bond Anticipation Note (continued)

The effect of these transaction on the District's short term obligations are as follows:

Beginning balance	\$ 2,820,000
Amounts borrowed	2,340,000
Amounts repaid	(2,820,000)
Ending balance	<u><u>\$ 2,340,000</u></u>

Note 7 – Due to Developers

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

The District's developers have also advanced funds to the District for operating expenses.

Changes in amounts due to developers during the year are as follows:

Due to developers, beginning of year	\$ 30,839,838
Developer funded construction and adjustments	3,727,267
Developer reimbursements	(4,518,895)
Repayment of operating advances	(117,000)
Due to developers, end of year	<u><u>\$ 29,931,210</u></u>

In addition, the District will owe the developers approximately \$1,014,585, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Water supply plant no. 1, Phase II*	\$ 22,526	\$ -	\$ 22,526
Lift station no. 1 and wastewater treatment plant, Phase II*	272,233	170,736	101,497
Utilities and paving to serve Pomona Parkway Phase III* and Pomona, Sections 13 and 15	719,826		719,826
	<u><u>\$ 1,014,585</u></u>	<u><u>\$ 170,736</u></u>	<u><u>\$ 843,849</u></u>

*District's share of contract

Brazoria County Municipal Utility District No. 39

Notes to Basic Financial Statements

March 31, 2019

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 17,305,000
Unamortized discounts	(124,134)
	<u><u>\$ 17,180,866</u></u>
Due within one year	<u><u>\$ 260,000</u></u>

The District's bonds payable at March 31, 2019, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date,		
				Serially, Beginning/ Ending	Interest Payment Dates	Call Date
2016 Road	\$ 4,900,000	\$ 4,900,000	2.00% to 4.00%	September 1, 2019/2042	September 1, March 1	September 1, 2024
2017	2,070,000	2,070,000	2.00% to 3.75%	September 1, 2019/2042	September 1, March 1	September 1, 2025
2017 Road	3,295,000	3,295,000	1.70% to 4.00%	September 1, 2019/2042	September 1, March 1	September 1, 2025
2018	4,410,000	4,410,000	3.00% to 5.50%	Stepember 1, 2020/2043	September 1, March 1	September 1, 2023
2018 Road	2,630,000	2,630,000	3.00% to 5.50%	September 1, 2020/2043	September 1, March 1	September 1, 2023
	<u><u>\$ 17,305,000</u></u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At March 31, 2019, the District had authorized but unissued bonds in the amount of \$306,020,000 for water, sewer and drainage facilities and the refunding of such bonds; \$59,000,000 for park and recreational facilities and the refunding of such bonds; and \$150,175,000 for road improvements and the refunding of such bonds.

On June 26, 2018, the District issued its \$4,410,000 Series 2018 Unlimited Tax Bonds at a net effective interest rate of 3.895835%. Proceeds of the bonds were used to (1) reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; (2) to repay a \$2,820,000 BAN issued in the previous fiscal year; and (3) to pay capitalized interest into the Debt Service Fund.

Brazoria County Municipal Utility District No. 39

Notes to Basic Financial Statements

March 31, 2019

Note 8 – Long-Term Debt (continued)

On September 27, 2018, the District issued its \$2,630,000 Series 2018 Unlimited Tax Road Bonds at a net effective interest rate of 3.814941%. Proceeds of the bonds were used to reimburse developers for the cost of road improvements constructed within the District plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	\$ 10,265,000
Bonds issued	7,040,000
Bonds payable, end of year	<u>\$ 17,305,000</u>

As of March 31, 2019, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2020	\$ 260,000	\$ 613,053	\$ 873,053
2021	450,000	602,932	1,052,932
2022	460,000	587,562	1,047,562
2023	485,000	570,942	1,055,942
2024	500,000	552,719	1,052,719
2025	530,000	533,311	1,063,311
2026	540,000	514,040	1,054,040
2027	570,000	495,602	1,065,602
2028	590,000	477,360	1,067,360
2029	620,000	458,767	1,078,767
2030	635,000	439,178	1,074,178
2031	670,000	418,072	1,088,072
2032	695,000	395,276	1,090,276
2033	730,000	370,888	1,100,888
2034	750,000	345,125	1,095,125
2035	780,000	318,205	1,098,205
2036	820,000	289,761	1,109,761
2037	855,000	259,444	1,114,444
2038	890,000	227,254	1,117,254
2039	925,000	193,062	1,118,062
2040	965,000	156,744	1,121,744
2041	995,000	118,913	1,113,913
2042	1,040,000	79,544	1,119,544
2043	1,095,000	38,244	1,133,244
2044	455,000	8,532	463,532
	<u>\$ 17,305,000</u>	<u>\$ 9,055,998</u>	<u>\$ 25,905,998</u>

Brazoria County Municipal Utility District No. 39

Notes to Basic Financial Statements

March 31, 2019

Note 9 – Property Taxes

On May 10, 2014, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Brazoria County Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District's 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of \$1.50 per \$100 of assessed value, of which \$0.75 was allocated to maintenance and operations, \$0.28 to utility system debt service, and \$0.47 to road system debt service. The resulting tax levy was \$1,599,307 on the adjusted taxable value of \$106,620,447.

Property taxes receivable, at March 31, 2019, consisted of the following:

Current year taxes receivable	\$ 94,163
Penalty and interest receivable	1,255
Property taxes receivable	<u><u>\$ 95,418</u></u>

Note 10 – Transfers to Other Governments

Brazoria County assumes responsibility for the maintenance of public roads constructed within the boundaries of the District. Accordingly, these facilities are considered to be capital assets of Brazoria County, not the District. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended March 31, 2019, the District recorded transfers to other governments in the amount of \$798,935 for road facilities constructed by developers within the District that will be maintained by Brazoria County.

Note 11 – Lease Agreement

On June 24, 2014, the District entered into an operating lease agreement for a temporary wastewater treatment plant with Gaylord Investment Company. This lease is for a 60 month term, unless otherwise terminated. Monthly payments for the lease are \$8,999. The District has the option to extend the lease on a month to month basis following expiration of the term. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. During the current year, total expenses relating to this lease were \$107,988.

Brazoria County Municipal Utility District No. 39

Notes to Basic Financial Statements

March 31, 2019

Note 11 – Lease Agreement (continued)

On August 8, 2018, the District entered into an operating lease agreement for a 0.125 MGD expansion of the existing wastewater treatment plant with AUC Group, LP. This lease is for a 60 month term, unless otherwise terminated. Monthly payments for the lease are \$2,215. The District has the option to extend the lease on a month to month basis or purchase the equipment following the expiration of the term. Operation of the lease expansion began subsequent to fiscal year end.

Future minimum leases payments as of March 31, 2019 for term leases are as follows:

Year	Amount
2020	\$ 130,138
2021	44,578
2022	26,580
2023	26,580
2024	26,580
	<hr/>
	\$ 254,456

Standard lease terms require the District to prepay the first and last month's lease payment upon inception of the lease. All such amounts are recorded as a prepaid expense on the *Statement of Net Position*.

Note 12 – Development and Maintenance of Recreational Facilities Agreement

On November 15, 2016, the District entered into an agreement with the Pomona Residential Community Association (“Association”) for the development and maintenance of recreational facilities which serve the public within the District’s boundaries. Under the terms of the agreement, the District designs and constructs recreational facilities within the District. The Association agrees to operate, maintain and repair the recreational facilities with the District contributing to one-half of the annual agreed upon budgeted maintenance and operation expenses of the facilities. The budgets will be decided at least 30 days prior to the beginning of each of the District’s fiscal years. During the current fiscal year, the District contributed \$287,564 to the repairs and maintenance of the recreational facilities within the District.

Note 13 – Joint Facilities and Cost Sharing Agreement

On February 27, 2018, the District and Brazoria County Municipal Utility District No. 40 (“MUD 40”) entered into an agreement for the construction and ownership of shared water, wastewater, detention and recreational facilities. The term of the agreement is 40 years. Development within the District commenced prior to the development within MUD 40. To provide water supply within the District, the District entered into various lease and contracts for construction and installation of water and wastewater treatment facilities. As both Districts develop, they intend to operate the two water and wastewater systems as an open system with shared costs.

Brazoria County Municipal Utility District No. 39

Notes to Basic Financial Statements

March 31, 2019

Note 13 – Joint Facilities and Cost Sharing Agreement (continued)

Water Supply and Sewer Plant Facilities

The District is to transfer legal title of any completed water supply and sewer plant facilities currently in use by the District to MUD 40 for the benefit of both Districts. Capacity in the facilities may be leased to the other District or capacity may be sold. The pro rata shares of the facilities shall be redetermined based on any such new allocation. As both District's grow, an expansion of the facilities are expected to meet their needs. Any such expansion shall be carried out by MUD 40 on behalf of the Districts with all capital costs shared based on their pro rata shares. As of March 31, 2019, the District has 100% of the pro rata share of the water supply and sewer plant facilities.

Regional Detention and Recreational Facilities

Each District is authorized, individually or in conjunction with the other District, to construct and repair regional detention and recreational facilities. The District's agree that each District shall own legal title to the facilities within its boundaries for the benefit of both Districts, although MUD 40 shall be the operator of the regional detention and recreational facilities on behalf of both Districts. As of March 31, 2019, the District has constructed such facilities within its boundaries and MUD 40 has also constructed such facilities within its boundaries. Each District will continue to construct regional detention and recreational facilities as they develop.

Operation and Maintenance

Both District's recognize that MUD 40 will be the sole operator of the aforementioned facilities to serve both Districts. The Districts agree that each shall pay their respective shares of operation and maintenance expenses on a monthly basis. Fixed expenses shall be billed based on the pro rata share of each District. Variable expenses shall be billed to each District based on the active equivalent-single-family-connections ("ESFCs") of each District served by the facilities as a percentage of the total ESFCs of both Districts served by the facilities. A separate account for each of the facilities shall be managed by MUD 40. A reserve will also be set to initiate the amount determined by an agreement, or in the event of no such agreement, the two month's average of budgeted operation and maintenance costs. As of March 31, 2019, the District has not received billings for any such costs.

Note 14 – Emergency Water Supply Agreement

On February 26, 2014, the District and Brazoria County Municipal Utility District No. 25 ("MUD 25") entered into an Emergency Water Supply Agreement for the purchase of water supply in the event of a loss of production or distribution capacity. Pursuant to the agreement, each District agrees to temporarily supply water to the other district in the event of an emergency at the rate equal to the base rate per 1,000 gallons charged by the supplying district for single family residential users within its jurisdiction at 10,000 gallons usage per month. During the current year, the District paid MUD 25 \$124,546 for emergency water supply at a rate of \$3.35 per 1,000 gallons.

Brazoria County Municipal Utility District No. 39

Notes to Basic Financial Statements

March 31, 2019

Note 15 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 16 – Subsequent Event

On July 23, 2019, the District approved a preliminary official statement and notice of sale for its Series 2019 Unlimited Tax Bonds in the amount of \$4,450,000 and Series 2019 Unlimited Tax Road Bonds in the amount of \$2,365,000. The acceptance of bids and award of sales is scheduled for August 27, 2019. Proceeds from the bonds will be used to: (1) reimburse the District's developers for construction costs of infrastructure serving the District, (2) reimburse the developers for operating advances and (3) retire the bond anticipation note issued during the current fiscal year.

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Required Supplementary Information

Brazoria County Municipal Utility District No. 39

Required Supplementary Information - Budgetary Comparison Schedule - General Fund

For the Year Ended March 31, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	\$ 86,400	\$ 86,400	\$ 251,867	\$ 165,467
Sewer service	60,000	60,000	287,644	227,644
Property taxes	602,009	787,064	803,751	16,687
Penalties and interest	3,000	3,000	11,780	8,780
Groundwater pumpage fees	600	600	1,378	778
Tap connection and inspection	230,460	231,368	385,926	154,558
Miscellaneous	5,100	5,100	10,590	5,490
Investment earnings	72	72	4,556	4,484
Total Revenues	987,641	1,173,604	1,757,492	583,888
Expenditures				
Current service operations				
Purchased services		131,690	124,546	7,144
Professional fees	154,700	160,700	152,180	8,520
Contracted services	155,000	227,022	311,234	(84,212)
Repairs and maintenance	273,134	137,784	394,394	(256,610)
Utilities	36,000	36,000	65,508	(29,508)
Lease	108,000	108,000	107,988	12
Administrative	31,538	31,538	50,938	(19,400)
Other	6,900	6,900	18,597	(11,697)
Intergovernmental				
Capital contribution	282,228	282,228	287,564	(5,336)
Total Expenditures	1,047,500	1,121,862	1,512,949	(391,087)
Revenues Over/(Under) Expenditures	(59,859)	51,742	244,543	192,801
Other Financing Sources				
Developer advances	108,000	108,000		(108,000)
Net Change in Fund Balance	48,141	159,742	244,543	84,801
Fund Balance				
Beginning of the year	449,191	449,191	449,191	
End of the year	\$ 497,332	\$ 608,933	\$ 693,734	\$ 84,801

Brazoria County Municipal Utility District No. 39
Notes to Required Supplementary Information
March 31, 2019

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Brazoria County Municipal Utility District No. 39

TSI-1. Services and Rates

March 31, 2019

1. Services provided by the District During the Fiscal Year:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input type="checkbox"/> Solid Waste / Garbage	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Flood Control	<input checked="" type="checkbox"/> Irrigation
<input checked="" type="checkbox"/> Parks / Recreation	<input type="checkbox"/> Fire Protection	<input checked="" type="checkbox"/> Roads	<input type="checkbox"/> Security

Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
 Other (Specify): _____

2. Retail Service Providers

(You may omit this information if your district does not provide retail services)

a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels	
Water:	\$ 32.00	10,000	N	\$ 2.90	10,001	to 20,000
				\$ 3.50	20,001	to 25,000
				\$ 4.40	25,001	to unlimited
Wastewater:	\$ 47.70	10,000	N	\$ 1.50	10,001	to 20,000
				\$ 1.75	20,001	to 25,000
				\$ 2.00	25,001	to unlimited
Surcharge:	\$ 0.03	1,000	N	\$ 0.03	1,001	to unlimited

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 32.30 Wastewater \$ 47.70

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	242	242	x 1.0	242
1"	323	322	x 2.5	805
1.5"	1	1	x 5.0	5
2"	7	7	x 8.0	56
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"	1	1	x 80.0	80
10"			x 115.0	
Total Water	574	573		1,188
Total Wastewater	559	558	x 1.0	558

See accompanying auditor's report.

Brazoria County Municipal Utility District No. 39
TSI-2 General Fund Expenditures
For the Year Ended March 31, 2019

Purchased services	<u>\$ 124,546</u>
Professional fees	
Legal	69,150
Audit	9,500
Engineering	<u>73,530</u>
	<u>152,180</u>
Contracted services	
Bookkeeping	18,016
Operator	28,857
Garbage collection	44,772
Tap connection and inspection	<u>219,589</u>
	<u>311,234</u>
Repairs and maintenance	<u>394,394</u>
Utilities	<u>65,508</u>
Lease	<u>107,988</u>
Administrative	
Directors fees	9,750
Printing and office supplies	10,149
Insurance	9,139
Other	<u>21,900</u>
	<u>50,938</u>
Other	<u>18,597</u>
Intergovernmental	<u>287,564</u>
Total expenditures	<u>\$ 1,512,949</u>

Reporting of Utility Services in Accordance with HB 3693:

	Usage	Cost
Electrical	454,742 kWh	\$ 65,508
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 39

TSI-3. Investments

March 31, 2019

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	\$ 628,876
Debt Service			
TexPool	Variable	N/A	343,932
TexPool - Road	Variable	N/A	621,994
			<u>965,927</u>
Capital Projects			
TexPool	Variable	N/A	170,389
TexPool - Road	Variable	N/A	36,576
			<u>206,965</u>
Total - All Funds			<u>\$ 1,801,768</u>

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 39

TSI-4. Taxes Levied and Receivable

March 31, 2019

	Maintenance Taxes	Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 11,800	\$ 1,815	\$ 3,404	\$ 17,019
Adjustments to Prior Year Tax Levy	(899)	(138)	(259)	(1,296)
Adjusted Receivable	10,901	1,677	3,145	15,723
2018 Original Tax Levy	786,361	293,575	492,786	1,572,722
Adjustments	13,292	4,963	8,330	26,585
Adjusted Tax Levy	799,653	298,538	501,116	1,599,307
Rollback Taxes	80,467			80,467
Total to be accounted for	891,021	300,215	504,261	1,695,497
Tax collections:				
Current year	792,682	295,935	496,748	1,585,365
Prior years	11,147	1,677	3,145	15,969
Total Collections	803,829	297,612	499,893	1,601,334
Taxes Receivable, End of Year	\$ 87,192	\$ 2,603	\$ 4,368	\$ 94,163
Taxes Receivable, By Years				
2018	\$ 6,971	\$ 2,603	\$ 4,368	\$ 13,942
2016	19,075			19,075
2015 and prior	61,146			61,146
Taxes Receivable, End of Year	\$ 87,192	\$ 2,603	\$ 4,368	\$ 94,163
	2018	2017	2016	2015
Property Valuations:				
Land	\$ 40,868,405	\$ 26,865,689	\$ 25,218,939	\$ 6,019,096
Improvements	74,787,374	36,277,804	8,474,751	1,761,350
Personal Property	993,740	365,660	217,300	
Exemptions	(10,029,072)	(6,914,833)	(5,478,465)	(4,707,507)
Total Property Valuations	\$ 106,620,447	\$ 56,594,320	\$ 28,432,525	\$ 3,072,939
Tax Rates per \$100 Valuation:				
Maintenance and operations	\$ 0.75	\$ 1.04	\$ 1.50	\$ 1.50
Debt service	0.28	0.16		
Road debt service	0.47	0.30		
Total Tax Rates per \$100 Valuation	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50
Adjusted Tax Levy:	\$ 1,599,307	\$ 848,915	\$ 426,488	\$ 46,094
Percentage of Taxes Collected to Taxes Levied **	99.13%	100.00%	95.53%	48.83%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 10, 2014

** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 39

TSI-5. Long-Term Debt Service Requirements

Series 2016 Road--by Years

March 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 125,000	\$ 166,003	\$ 291,003
2021	130,000	163,323	293,323
2022	135,000	160,340	295,340
2023	140,000	157,108	297,108
2024	145,000	153,615	298,615
2025	155,000	149,749	304,749
2026	160,000	145,455	305,455
2027	165,000	140,740	305,740
2028	170,000	135,630	305,630
2029	180,000	130,115	310,115
2030	185,000	124,183	309,183
2031	195,000	117,815	312,815
2032	200,000	111,000	311,000
2033	210,000	103,825	313,825
2034	215,000	96,388	311,388
2035	225,000	88,547	313,547
2036	235,000	80,209	315,209
2037	245,000	71,356	316,356
2038	255,000	61,981	316,981
2039	265,000	51,900	316,900
2040	275,000	41,100	316,100
2041	285,000	29,900	314,900
2042	295,000	18,300	313,300
2043	310,000	6,200	316,200
	<u>\$ 4,900,000</u>	<u>\$ 2,504,782</u>	<u>\$ 7,404,782</u>

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 39

TSI-5. Long-Term Debt Service Requirements

Series 2017--by Years

March 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 50,000	\$ 68,075	\$ 118,075
2021	55,000	67,025	122,025
2022	55,000	65,925	120,925
2023	60,000	64,475	124,475
2024	60,000	62,675	122,675
2025	65,000	60,800	125,800
2026	65,000	58,850	123,850
2027	70,000	56,825	126,825
2028	70,000	54,725	124,725
2029	75,000	52,550	127,550
2030	75,000	50,300	125,300
2031	80,000	47,875	127,875
2032	85,000	45,141	130,141
2033	90,000	42,131	132,131
2034	90,000	38,981	128,981
2035	95,000	35,744	130,744
2036	100,000	32,331	132,331
2037	105,000	28,744	133,744
2038	110,000	24,913	134,913
2039	115,000	20,834	135,834
2040	120,000	16,500	136,500
2041	120,000	12,000	132,000
2042	125,000	7,406	132,406
2043	135,000	2,531	137,531
	\$ 2,070,000	\$ 1,017,356	\$ 3,087,356

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 39

TSI-5. Long-Term Debt Service Requirements

Series 2017 Road--by Years

March 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 85,000	\$ 110,424	\$ 195,424
2021	90,000	108,846	198,846
2022	90,000	107,046	197,046
2023	95,000	105,009	200,009
2024	100,000	102,666	202,666
2025	105,000	99,999	204,999
2026	105,000	97,059	202,059
2027	110,000	93,886	203,886
2028	115,000	90,454	205,454
2029	120,000	86,751	206,751
2030	125,000	82,769	207,769
2031	130,000	78,513	208,513
2032	135,000	74,041	209,041
2033	140,000	69,313	209,313
2034	145,000	64,325	209,325
2035	150,000	59,088	209,088
2036	160,000	53,508	213,508
2037	165,000	47,616	212,616
2038	170,000	41,503	211,503
2039	175,000	34,900	209,900
2040	185,000	27,700	212,700
2041	190,000	20,200	210,200
2042	200,000	12,400	212,400
2043	210,000	4,200	214,200
	<u>\$ 3,295,000</u>	<u>\$ 1,672,216</u>	<u>\$ 4,967,216</u>

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 39

TSI-5. Long-Term Debt Service Requirements

Series 2018--by Years

March 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due		Total
		September 1,	March 1	
2020	\$ -	\$ 169,888		\$ 169,888
2021	105,000	167,000		272,000
2022	110,000	161,363		271,363
2023	115,000	155,450		270,450
2024	120,000	148,988		268,988
2025	125,000	142,250		267,250
2026	130,000	135,563		265,563
2027	140,000	129,513		269,513
2028	145,000	124,538		269,538
2029	150,000	120,113		270,113
2030	155,000	115,538		270,538
2031	165,000	110,531		275,531
2032	170,000	105,088		275,088
2033	180,000	99,175		279,175
2034	190,000	92,700		282,700
2035	195,000	85,963		280,963
2036	205,000	78,963		283,963
2037	215,000	71,344		286,344
2038	225,000	63,094		288,094
2039	235,000	54,469		289,469
2040	245,000	45,469		290,469
2041	255,000	36,094		291,094
2042	265,000	26,344		291,344
2043	280,000	16,125		296,125
2044	290,000	5,438		295,438
	<u>\$ 4,410,000</u>	<u>\$ 2,461,001</u>		<u>\$ 6,871,001</u>

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 39

TSI-5. Long-Term Debt Service Requirements

Series 2018 Road--by Years

March 31, 2019

Due During Fiscal Years Ending	Principal Due Septemer 1	Interest Due		Total
		September 1,	March 1	
2020	\$ -	\$ 98,663		\$ 98,663
2021	70,000	96,738		166,738
2022	70,000	92,888		162,888
2023	75,000	88,900		163,900
2024	75,000	84,775		159,775
2025	80,000	80,513		160,513
2026	80,000	77,113		157,113
2027	85,000	74,638		159,638
2028	90,000	72,013		162,013
2029	95,000	69,238		164,238
2030	95,000	66,388		161,388
2031	100,000	63,338		163,338
2032	105,000	60,006		165,006
2033	110,000	56,444		166,444
2034	110,000	52,731		162,731
2035	115,000	48,863		163,863
2036	120,000	44,750		164,750
2037	125,000	40,384		165,384
2038	130,000	35,763		165,763
2039	135,000	30,959		165,959
2040	140,000	25,975		165,975
2041	145,000	20,719		165,719
2042	155,000	15,094		170,094
2043	160,000	9,188		169,188
2044	165,000	3,094		168,094
	<u>\$ 2,630,000</u>	<u>\$ 1,409,175</u>		<u>\$ 4,039,175</u>

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 39

TSI-5. Long-Term Debt Service Requirements

All Bonded Debt Series--by Years

March 31, 2019

Due During Fiscal Years Ending	Principal Due Septemer 1	Interest Due September 1, March 1	Total
2020	\$ 260,000	\$ 613,053	\$ 873,053
2021	450,000	602,932	1,052,932
2022	460,000	587,562	1,047,562
2023	485,000	570,942	1,055,942
2024	500,000	552,719	1,052,719
2025	530,000	533,311	1,063,311
2026	540,000	514,040	1,054,040
2027	570,000	495,602	1,065,602
2028	590,000	477,360	1,067,360
2029	620,000	458,767	1,078,767
2030	635,000	439,178	1,074,178
2031	670,000	418,072	1,088,072
2032	695,000	395,276	1,090,276
2033	730,000	370,888	1,100,888
2034	750,000	345,125	1,095,125
2035	780,000	318,205	1,098,205
2036	820,000	289,761	1,109,761
2037	855,000	259,444	1,114,444
2038	890,000	227,254	1,117,254
2039	925,000	193,062	1,118,062
2040	965,000	156,744	1,121,744
2041	995,000	118,913	1,113,913
2042	1,040,000	79,544	1,119,544
2043	1,095,000	38,244	1,133,244
2044	455,000	8,532	463,532
	<u>\$ 17,305,000</u>	<u>\$ 9,064,530</u>	<u>\$ 26,369,530</u>

See accompanying auditors' report.

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Brazoria County Municipal Utility District No. 39

TSI-6. Change in Long-Term Bonded Debt

March 31, 2019

	Bond Issue			
	Series 2016 Road	Series 2017	Series 2017 Road	Series 2018
Interest rate	2.00% to 4.00%	2.00% to 4.00%	2.00% to 4.00%	3.00% to 5.50%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/19 - 9/1/42	9/1/19 - 9/1/42	9/1/19 - 9/1/42	9/1/20 - 9/1/43
Beginning bonds outstanding	\$ 4,900,000	\$ 2,070,000	\$ 3,295,000	\$ -
Bonds issued				4,410,000
Ending bonds outstanding	<u>\$ 4,900,000</u>	<u>\$ 2,070,000</u>	<u>\$ 3,295,000</u>	<u>\$ 4,410,000</u>
Interest paid during fiscal year	<u>\$ 167,253</u>	<u>\$ 68,575</u>	<u>\$ 111,146</u>	<u>\$ 127,416</u>
Paying agent's name and city				
All series	<u>Amegy Bank, a division of ZB, N.A., in Houston, Texas</u>			

Bond Authority:	Park and		
	Water, Sewer and Drainage Bonds	Recreational Bonds	Road Bonds
Amount Authorized by Voters	\$ 312,500,000	\$ 59,000,000	\$ 161,000,000
Amount Issued	(6,480,000)		(10,825,000)
Remaining To Be Issued	<u>\$ 306,020,000</u>	<u>\$ 59,000,000</u>	<u>\$ 150,175,000</u>

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

Debt Service Fund cash and investments balances as of March 31, 2019: \$ 1,036,851

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,054,781

See accompanying auditors' report.

Bond Issue	
Series 2018 Road	Totals
3.00% to 5.50%	
9/1; 3/1	
9/1/20 -	
9/1/43	
\$ -	\$ 10,265,000
<hr/> \$ 2,630,000	<hr/> \$ 7,040,000
<hr/> \$ 2,630,000	<hr/> \$ 17,305,000
<hr/> \$ 49,331	<hr/> \$ 523,721

Brazoria County Municipal Utility District No. 39

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

	Amounts				
	2019	2018	2017	2016	2015**
Revenues					
Water service	\$ 251,867	\$ 130,524	\$ 66,338	\$ 17,275	\$ -
Sewer service	287,644	131,762	67,179	13,921	
Property taxes	803,751	591,641	416,588	86,549	1665
Penalties and interest	11,780	5,532	3,649	679	
Groundwater pumpage fees	1,378	1,121	458	87	
Tap connection and inspection	385,926	470,542	211,662	148,450	935
Miscellaneous	10,590	7,613	8,120	5,585	100
Investment earnings	4,556	585	159	36	5
Total Revenues	1,757,492	1,339,320	774,153	272,582	2,705
Expenditures					
Current service operations					
Purchased services	124,546		258	7,900	916
Professional fees	152,180	105,168	153,776	101,997	148,248
Contracted services	311,234	309,730	156,087	107,015	9,600
Repairs and maintenance	394,394	352,418	269,659	47,456	
Utilities	65,508	61,667	32,731	16,811	
Groundwater pumpage fees		1,155			
Lease expense	107,988	89,990	89,990	192,988	17,989
Administrative	50,938	24,700	30,390	25,235	22,334
Other	18,597	30,361	10,947	6,041	9,921
Intergovernmental	287,564	218,706	30,980		
Total Expenditures	1,512,949	1,193,895	774,818	505,443	209,008
Revenues Over/(Under) Expenditures	\$ 244,543	\$ 145,425	\$ (665)	\$ (232,861)	\$ (206,303)
Total Active Retail Water Connections	573	398	194	88	N/A
Total Active Retail Wastewater Connections	558	387	183	83	N/A

*Percentage is negligible

**Unaudited

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015**
14%	10%	9%	6%	
16%	10%	9%	5%	
46%	44%	54%	33%	61%
1%	*	*	*	
*	*	*	*	
22%	35%	27%	54%	35%
1%	1%	1%	2%	4%
*	*	*	*	*
100%	100%	100%	100%	100%
7%		*	3%	34%
9%	8%	20%	37%	5481%
18%	23%	20%	39%	355%
22%	26%	35%	17%	
4%	5%	4%	6%	
	*			
6%	7%	12%	71%	665%
3%	2%	4%	9%	826%
1%	2%	1%	2%	367%
16%	16%	4%		
86%	89%	100%	184%	7728%
14%	11%	0%	(84%)	(7,628%)

Brazoria County Municipal Utility District No. 39

**TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Three Fiscal Years**

	Amounts		
	2019	2018	2017
Revenues			
Property taxes	\$ 797,504	\$ 255,509	\$ -
Penalties and interest	3,554	7,489	
Accrued interest on bonds sold			7,433
Miscellaneous	885	2,353	
Investment earnings	12,977	1,837	227
Total Revenues	<u>814,920</u>	<u>267,188</u>	<u>7,660</u>
Expenditures			
Contracted services	9,125	8,278	90
Administrative	7,845	2,877	
Other	7,613	470	
Debt service			
Interest and fees	505,069	241,879	55,751
Total Expenditures	<u>529,652</u>	<u>253,504</u>	<u>55,841</u>
Revenues Over/(Under) Expenditures	<u>\$ 285,268</u>	<u>\$ 13,684</u>	<u>\$ (48,181)</u>

See accompanying auditors' report.

Percent of Fund Total Revenues		
2019	2018	2017
98%	95%	
*	3%	
		97%
*	1%	
2%	1%	3%
100%	100%	100%
1%	3%	1%
1%	1%	
1%	*	
62%	91%	728%
65%	95%	729%
35%	5%	(629%)

Brazoria County Municipal Utility District No. 39
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended March 31, 2019

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
 District Business Telephone Number: (713) 860-6400
 Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): May 22, 2018
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid		Expense Reimburse- ments	Title at Year End
		*			
Board Members					
Nancy Davis	05/16 - 05/20	\$ 2,100	\$ 61		President
Danny Traylor	05/18 - 05/22	1,650			Vice President
Michael Yu	05/16 - 05/20	2,400	495		Secretary
Jordan Nightingale	05/18 - 05/22	2,250	195		Assistant Vice President
Terry Reeves	05/18 - 05/22	1,200	178		Assistant Secretary
Larry Collins	05/14 - 05/18	150	21		Former Director

Consultants		Amounts Paid		
		*		
Allen Boone Humphries Robinson LLP	2007			Attorney
<i>General legal fees</i>		\$ 87,344		
<i>Bond counsel</i>		228,420		
Si Environmental, LLC	2013	433,735		Operator
Municipal Accounts	2019	350		Bookkeeper
Assessments of the Southwest	2007	9,286		Tax Collector
Brazoria County Appraisal District	Legislative	7,114		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2007	3,845		Delinquent Tax Attorney
LJA Engineering, Inc.	2007	54,999		Engineer
McGrath & Co., PLLC	Annual	19,250		Auditor
R.W. Baird & Co.	2015	168,815		Financial Advisor
Storm Water Solutions	Annual	228,953		Landscape maintenanc
McLennan & Associates, LP	2007	17,681		Former Bookkeeper

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