

**BRAZORIA COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 36**

**BRAZORIA COUNTY, TEXAS**

**FINANCIAL REPORT**

**May 31, 2023**



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Houston, Texas 77092

## Independent Auditor's Report

Board of Directors  
Brazoria County Municipal Utility District No. 36  
Brazoria County, Texas

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Brazoria County Municipal Utility District No. 36 (the "District"), as of and for the year ended May 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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. 36, as of May 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Board of Directors  
Brazoria County Municipal Utility District No. 36  
Brazoria County, Texas***

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**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 is the responsibility of management and, 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

***Board of Directors  
Brazoria County Municipal Utility District No. 36  
Brazoria County, Texas***

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.

**Supplementary 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 schedules are presented for purposes of additional analysis and are 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 information 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 Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

*McGlothlin & Co, PLLC*

Houston, Texas  
September 14, 2023

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

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***Brazoria County Municipal Utility District No. 36  
Management's Discussion and Analysis  
May 31, 2023***

## **Using this Annual Report**

Within this section of the financial report of Brazoria County Municipal Utility District No. 36 (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 May 31, 2023. This analysis should be read in conjunction with the independent auditor's 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. 36  
Management's Discussion and Analysis  
May 31, 2023***

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 May 31, 2023, was negative \$7,944,212. The District's net position is negative because the District incurs debt to construct water, sewer, and certain drainage facilities which it conveys to the City of Alvin. A comparative summary of the District's overall financial position, as of May 31, 2023 and 2022, is as follows:

	2023	2022
Current and other assets	\$ 3,058,040	\$ 2,650,919
Capital assets	4,806,568	3,085,181
Total assets	<u>7,864,608</u>	<u>5,736,100</u>
Current liabilities	293,983	162,967
Long-term liabilities	<u>15,514,837</u>	<u>12,595,472</u>
Total liabilities	<u>15,808,820</u>	<u>12,758,439</u>
Net position		
Net investment in capital assets	(5,031,026)	(3,211,234)
Restricted	930,866	585,599
Unrestricted	<u>(3,844,052)</u>	<u>(4,396,704)</u>
Total net position	<u>\$ (7,944,212)</u>	<u>\$ (7,022,339)</u>

***Brazoria County Municipal Utility District No. 36  
Management's Discussion and Analysis  
May 31, 2023***

The total net position of the District decreased during the current fiscal year by \$921,873. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2023</u>	<u>2022</u>
Revenues		
Property taxes, penalties and interest	\$ 915,669	\$ 746,498
Other	91,043	3,071
Total revenues	<u>1,006,712</u>	<u>749,569</u>
Expenses		
Operating and administrative	221,279	239,987
Debt interest and fees	314,328	185,911
Developer interest		370,728
Debt issuance costs		387,440
Depreciation	47,774	43,504
Total expenses	<u>583,381</u>	<u>1,227,570</u>
Change in net position before other items	423,331	(478,001)
Other items		
Transfers to other governments	<u>(1,345,204)</u>	<u>(204,111)</u>
Change in net position	(921,873)	(682,112)
Net position, beginning of year	<u>(7,022,339)</u>	<u>(6,340,227)</u>
Net position, end of year	<u>\$ (7,944,212)</u>	<u>\$ (7,022,339)</u>

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

The District's combined fund balances, as of May 31, 2023, were \$3,019,636, which consists of \$1,482,861 in the General Fund, \$995,473 in the Debt Service Fund, and \$541,302 in the Capital Projects Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of May 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 1,503,306</u>	<u>\$ 1,450,356</u>
Total liabilities	\$ 16,417	\$ 11,111
Total deferred inflows	4,028	3,207
Total fund balance	<u>1,482,861</u>	<u>1,436,038</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,503,306</u>	<u>\$ 1,450,356</u>

***Brazoria County Municipal Utility District No. 36  
Management's Discussion and Analysis  
May 31, 2023***

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

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 232,620	\$ 371,575
Total expenditures	<u>(185,797)</u>	<u>(156,098)</u>
Revenues over expenditures	<u>\$ 46,823</u>	<u>\$ 215,477</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, which is dependent upon assessed value in the District and the maintenance tax rate set by the District. While assessed values in the District increased from the prior year, property tax revenues decreased because the District decreased the maintenance component of the levy.

*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of May 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 1,013,432</u>	<u>\$ 657,455</u>
Total liabilities	\$ 4,342	\$ 2,376
Total deferred inflows	13,617	4,041
Total fund balance	<u>995,473</u>	<u>651,038</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,013,432</u>	<u>\$ 657,455</u>

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

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 745,619	\$ 377,323
Total expenditures	<u>(401,184)</u>	<u>(252,137)</u>
Revenues over expenditures	<u>\$ 344,435</u>	<u>\$ 125,186</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. 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.

***Brazoria County Municipal Utility District No. 36  
Management's Discussion and Analysis  
May 31, 2023***

*Capital Projects Fund*

A comparative summary of the Capital Projects Fund's financial position as of May 31, 2023 and 2022 is as follows:

	2023	2022
Total assets	<u>\$ 541,302</u>	<u>\$ 543,108</u>
Total fund balance	<u>\$ 541,302</u>	<u>\$ 543,108</u>

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

	2023	2022
Total revenues	\$ 18,074	\$ 460
Total expenditures	<u>(19,880)</u>	<u>(5,058,716)</u>
Revenues under expenditures	(1,806)	(5,058,256)
Other changes in fund balance		5,416,000
Net change in fund balance	<u>\$ (1,806)</u>	<u>\$ 357,744</u>

The District did not have considerable capital asset activity in the current year. The District's capital asset activity in the prior year was financed with proceeds from the issuance of its Series 2022 Unlimited Tax Bonds.

**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 \$15,987 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 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. 36  
Management's Discussion and Analysis  
May 31, 2023***

Capital assets held by the District at May 31, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ 3,168,055</u>	<u>\$ 1,591,060</u>
Capital assets being depreciated		
Drainage	2,149,818	1,957,652
Less accumulated depreciation	<u>(511,305)</u>	<u>(463,531)</u>
Depreciable capital assets, net	<u>1,638,513</u>	<u>1,494,121</u>
Capital assets, net	<u>\$ 4,806,568</u>	<u>\$ 3,085,181</u>

Capital asset additions during the current year include the following:

- Phase 6 detention and amenity lake expansion to serve Kendall Lakes Section 11
- Phase 7 detention and amenity lake expansion to serve Kendall Lakes Section 9
- Land acquisitions for detention facilities

The District and the City of Alvin (the "City") have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. Detention facilities and certain other capital assets are retained by the District. For the year ended May 31, 2023, capital assets in the amount of \$1,345,204 have been 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 May 31, 2023, the District owes approximately \$6,214,837 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of \$647,793 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers are trued up when the developers are reimbursed.

At May 31, 2023 and 2022, the District had total bonded debt outstanding as shown below:

<u>Series</u>	<u>2023</u>	<u>2022</u>
2018	\$ 4,025,000	\$ 4,105,000
2022	5,470,000	5,470,000
	<u>\$ 9,495,000</u>	<u>\$ 9,575,000</u>



***Brazoria County Municipal Utility District No. 36  
 Management’s Discussion and Analysis  
 May 31, 2023***

At May 31, 2023, the District had \$53,380,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$6,000,000 for parks and recreational facilities; and \$41,000,000 for refunding purposes.

**Next Year’s Budget**

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

	<u>2023 Actual</u>	<u>2024 Budget</u>
Total revenues	\$ 232,620	\$ 239,767
Total expenditures	<u>(185,797)</u>	<u>(197,510)</u>
Revenues over expenditures	46,823	42,257
Beginning fund balance	1,436,038	1,482,861
Ending fund balance	<u><u>\$ 1,482,861</u></u>	<u><u>\$ 1,525,118</u></u>

**Property Taxes**

The District’s property tax base increased approximately \$38,787,000 for the 2023 tax year from \$132,237,731 to \$171,024,590, based on preliminary values. This increase was primarily due to new construction in the District and increased property values.

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## **Basic Financial Statements**

**Brazoria County Municipal Utility District No. 36**  
**Statement of Net Position and Governmental Fund Balance Sheet**  
**May 31, 2023**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 11,776	\$ 74,781	\$ 425	\$ 86,982	\$ -	\$ 86,982
Investments	1,472,651	939,885	540,877	2,953,413		2,953,413
Taxes receivable	4,028	13,617		17,645		17,645
Internal balances	14,851	(14,851)				
Capital assets not being depreciated					3,168,055	3,168,055
Capital assets, net					1,638,513	1,638,513
<b>Total Assets</b>	<b>\$ 1,503,306</b>	<b>\$ 1,013,432</b>	<b>\$ 541,302</b>	<b>\$ 3,058,040</b>	<b>4,806,568</b>	<b>7,864,608</b>
<b>Liabilities</b>						
Accounts payable	\$ 16,417	\$ -	\$ -	\$ 16,417		16,417
Other payables		4,342		4,342		4,342
Accrued interest payable					78,224	78,224
Due to developers					6,214,837	6,214,837
Long-term debt						
Due within one year					195,000	195,000
Due after one year					9,300,000	9,300,000
<b>Total Liabilities</b>	<b>16,417</b>	<b>4,342</b>		<b>20,759</b>	<b>15,788,061</b>	<b>15,808,820</b>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	4,028	13,617		17,645	(17,645)	
<b>Fund Balance/Net Position</b>						
<b>Fund Balance</b>						
Restricted		995,473	541,302	1,536,775	(1,536,775)	
Unassigned	1,482,861			1,482,861	(1,482,861)	
<b>Total Fund Balance</b>	<b>1,482,861</b>	<b>995,473</b>	<b>541,302</b>	<b>3,019,636</b>	<b>(3,019,636)</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 1,503,306</b>	<b>\$ 1,013,432</b>	<b>\$ 541,302</b>	<b>\$ 3,058,040</b>		
<b>Net Position</b>						
Net investment in capital assets					(5,031,026)	(5,031,026)
Restricted for debt service					930,866	930,866
Unrestricted					(3,844,052)	(3,844,052)
<b>Total Net Position</b>					<b>\$ (7,944,212)</b>	<b>\$ (7,944,212)</b>

See notes to basic financial statements.

***Brazoria County Municipal Utility District No. 36  
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended May 31, 2023***

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 184,270	\$ 719,217	\$ -	\$ 903,487	\$ 8,872	\$ 912,359
Penalties and interest		1,783		1,783	1,527	3,310
Investment earnings	48,350	24,619	18,074	91,043		91,043
Total Revenues	<u>232,620</u>	<u>745,619</u>	<u>18,074</u>	<u>996,313</u>	<u>10,399</u>	<u>1,006,712</u>
<b>Expenditures/Expenses</b>						
Operating and administrative						
Professional fees	92,338	80	19,225	111,643		111,643
Contracted services	21,993	13,673		35,666		35,666
Repairs and maintenance	23,658			23,658		23,658
Administrative	30,147	1,513		31,660		31,660
Other	17,661	336	655	18,652		18,652
Debt service						
Principal		80,000		80,000	(80,000)	
Interest and fees		305,582		305,582	8,746	314,328
Depreciation					47,774	47,774
Total Expenditures/Expenses	<u>185,797</u>	<u>401,184</u>	<u>19,880</u>	<u>606,861</u>	<u>(23,480)</u>	<u>583,381</u>
<b>Revenues Over/(Under) Expenditures/Expenses</b>	46,823	344,435	(1,806)	389,452	33,879	423,331
<b>Other Items</b>						
Transfers to other governments					(1,345,204)	(1,345,204)
<b>Net Change in Fund Balance Change in Net Position</b>	46,823	344,435	(1,806)	389,452	(389,452)	(921,873)
Fund Balance/Net Position						
Beginning of the year	1,436,038	651,038	543,108	2,630,184	(9,652,523)	(7,022,339)
<b>End of the year</b>	<u>\$ 1,482,861</u>	<u>\$ 995,473</u>	<u>\$ 541,302</u>	<u>\$ 3,019,636</u>	<u>\$ (10,963,848)</u>	<u>\$ (7,944,212)</u>

See notes to basic financial statements.

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

The accounting policies of Brazoria County Municipal Utility District No. 36 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). 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 December 29, 2004, and operates in accordance with Article XVI, Section 59 of the Texas Constitution and the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on April 11, 2005 and the first bonds were issued on July 12, 2018.

The District’s primary activities include construction of water, sewer and drainage and recreational facilities within the District. As further discussed in Note 10, the District conveys the water, sewer and certain drainage facilities to the City of Alvin for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

### **Reporting Entity**

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. 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*.

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

**Government-Wide and Fund Financial Statements (continued)**

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.

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

- The General Fund is used to account for the operations of the District and all other financial transactions not reported on other funds. The principal sources of revenue are property taxes. 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 source 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, and drainage 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 and interest earned on investments. 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.



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

### **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.

### **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 May 31, 2023, an allowance for uncollectible accounts was not considered necessary.

### **Interfund Activity**

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

### **Capital Assets**

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 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 drainage facilities, are depreciated using the straight-line method over an estimated useful life of 45 years. The District's detention facilities and drainage channel are considered improvement to land and are non-depreciable.

### **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.

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

**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 does not have any nonspendable fund balances.

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 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.

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.

***Brazoria County Municipal Utility District No. 36***  
***Notes to Financial Statements***  
***May 31, 2023***

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developers; the value of capital assets transferred to the City of Alvin and the value of capital assets for which the developers have 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.

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

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

Total fund balance, governmental funds	\$ 3,019,636
--	--------------

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

Historical cost	\$ 5,317,873	
Less accumulated depreciation	<u>(511,305)</u>	
Change due to capital assets		4,806,568

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	(9,495,000)	
Interest payable on bonds	<u>(78,224)</u>	
Change due to long-term debt		(9,573,224)

Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .	(6,214,837)
---	-------------

Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.	17,645
--	--------

Total net position - governmental activities	<u><u>\$ (7,944,212)</u></u>
--	------------------------------

**Brazoria County Municipal Utility District No. 36**  
**Notes to Financial Statements**  
**May 31, 2023**

**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 balance - total governmental funds \$ 389,452

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. 10,399

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.

Principal payments	\$	80,000	
Interest expense accrual		<u>(8,746)</u>	
			71,254

In the *Statement of Activities*, the cost of capital assets is charged to depreciation expense over the estimated useful life of the asset. (47,774)

The District conveys certain infrastructure to the City of Alvin 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. (1,345,204)

Change in net position of governmental activities	\$	<u>(921,873)</u>	
---	----	------------------	--

**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.

**Brazoria County Municipal Utility District No. 36**  
**Notes to Financial Statements**  
**May 31, 2023**

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

**Investments**

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

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

As of May 31, 2023, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 1,472,651		
	Debt Service	939,885		
	Capital Projects	540,877		
		<u>\$ 2,953,413</u>	AAAm	22 days

**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.

*Brazoria County Municipal Utility District No. 36*  
*Notes to Financial Statements*  
*May 31, 2023*

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

**TexPool (continued)**

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 and Transactions**

Amounts due to/from other funds at May 31, 2023, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 14,851	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.

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended May 31, 2023, is as follows:

	<u>Beginning Balances</u>	<u>Additions/ Adjustments</u>	<u>Ending Balances</u>
Capital assets not being depreciated			
Land and improvements	\$ 1,591,060	\$ 1,576,995	\$ 3,168,055
Capital assets being depreciated			
Drainage	1,957,652	192,166	2,149,818
Less accumulated depreciation	(463,531)	(47,774)	(511,305)
Subtotal depreciable capital assets, net	<u>1,494,121</u>	<u>144,392</u>	<u>1,638,513</u>
Capital assets, net	<u>\$ 3,085,181</u>	<u>\$ 1,721,387</u>	<u>\$ 4,806,568</u>

Depreciation expense for the current year was \$47,774.

***Brazoria County Municipal Utility District No. 36***  
***Notes to Financial Statements***  
***May 31, 2023***

**Note 6 – 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. 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 developers are reimbursed.

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

Due to developers, beginning of year	\$ 3,100,472
Developer funded construction and adjustments	<u>3,114,365</u>
Due to developers, end of year	<u><u>\$ 6,214,837</u></u>

In addition, the District will owe the developers approximately \$647,793 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.

	<u>Contract Amount</u>	<u>Percentage Complete</u>
Kendall Lakes Section 9 - utilities	\$ 647,793	81%

**Note 7 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	<u><u>\$ 9,495,000</u></u>
Due within one year	<u><u>\$ 195,000</u></u>

*Brazoria County Municipal Utility District No. 36*  
*Notes to Financial Statements*  
*May 31, 2023*

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

The District’s bonds payable at May 31, 2023, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2018	\$ 4,025,000	\$ 4,250,000	3.00% - 4.00%	September 1, 2020/2047	September 1, March 1	September 1, 2023
2022	5,470,000	5,470,000	2.00% - 3.00%	September 1, 2023/2050	September 1, March 1	September 1, 2027
	<u>\$ 9,495,000</u>					

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

At May 31, 2023, the District had authorized but unissued bonds in the amount of \$53,380,000 for water, sewer and drainage facilities; \$6,000,000 for park and recreational facilities; and \$41,000,000 for refunding purposes.

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

Bonds payable, beginning of year	\$ 9,575,000
Bonds retired	<u>(80,000)</u>
Bonds payable, end of year	<u>\$ 9,495,000</u>



***Brazoria County Municipal Utility District No. 36***  
***Notes to Financial Statements***  
***May 31, 2023***

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

As of May 31, 2023, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2024	\$ 195,000	\$ 306,531	\$ 501,531
2025	205,000	300,531	505,531
2026	210,000	294,306	504,306
2027	220,000	287,796	507,796
2028	225,000	280,937	505,937
2029	235,000	274,365	509,365
2030	245,000	267,982	512,982
2031	250,000	260,619	510,619
2032	260,000	252,357	512,357
2033	270,000	243,688	513,688
2034	280,000	234,525	514,525
2035	290,000	225,106	515,106
2036	305,000	215,450	520,450
2037	315,000	205,375	520,375
2038	325,000	194,950	519,950
2039	340,000	183,997	523,997
2040	355,000	172,300	527,300
2041	370,000	159,956	529,956
2042	380,000	147,144	527,144
2043	400,000	133,794	533,794
2044	415,000	119,600	534,600
2045	430,000	104,625	534,625
2046	450,000	89,025	539,025
2047	465,000	72,775	537,775
2048	485,000	55,875	540,875
2049	505,000	39,675	544,675
2050	525,000	24,225	549,225
2051	545,000	8,175	553,175
	\$ 9,495,000	\$ 5,155,684	\$ 14,650,684

**Note 8 – Property Taxes**

On November 7, 2006, 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.

***Brazoria County Municipal Utility District No. 36***  
***Notes to Financial Statements***  
***May 31, 2023***

**Note 8 – Property Taxes (continued)**

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 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of \$0.69 per \$100 of assessed value, of which \$0.14 was allocated to maintenance and operations and \$0.55 was allocated to debt service. The resulting tax levy was \$912,441 on the adjusted taxable value of \$132,237,731.

Property taxes receivable, at May 31, 2023, consisted of the following:

Current year taxes receivable	\$	12,164
Prior years taxes receivable		3,120
		15,284
Penalty and interest receivable		2,361
Property taxes receivable	\$	17,645

**Note 9 – Transfers to Other Governments**

In accordance with an agreement between the District and the City of Alvin (the “City”), the District transfers all of its water, sewer, and storm sewer system to the City (see Note 10). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developers are subsequently reimbursed. For the year ended May 31, 2023, the District reported transfers to other governments in the amount of \$1,345,204 for projects completed and transferred to the City.

**Note 10 – Utility Agreement with the City of Alvin**

On August 5, 2004, the Developer, on behalf of the District, entered into a Utility Services Contract (“Agreement”) with the City of Alvin (the “City”) for construction and extension of water distribution lines, sanitary sewer collection systems and drainage facilities to serve the District. As the system is acquired or constructed, the District shall transfer the system to the City but will reserve a security interest in the system and provide services to all users in the District. The term of the agreement is 40 years.

Water and sewer rates charged by the City to users in the District shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City. The District agrees to pay the City connection fees for water and wastewater capacities.

*Brazoria County Municipal Utility District No. 36*  
*Notes to Financial Statements*  
*May 31, 2023*

**Note 10 – Utility Agreement with the City of Alvin (continued)**

The City has created the Reinvestment Zone No. Two (“Zone”) to finance public improvements described in the Agreement using the City tax increment generated within the Zone. The District is responsible for the financing and construction of the District systems and drainage facilities required to serve the District. A portion of the Zone’s tax increment will be paid to the District annually in consideration for the District undertaking the financing and construction of facilities which benefit both the District and the Zone. The annual payment for each year shall be the lesser of (i) \$0.30 per \$100 certified taxable valuation within the District or (ii) the amount required to meet the District’s annual debt service obligations minus the amount that the District would receive based on the District’s certified taxable value if the District levied an ad valorem tax rate equate to \$1.35 per \$100 taxable valuation, less the City’s then-current ad valorem tax rate. The annual payment is due in the calendar year following the year the District sells its first bonds, to which its ad valorem taxes are pledged, and will be paid each May 1 thereafter. The District has not received any payments to date.

**Note 11 – Risk Management**

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

**Note 12 – Subsequent Event**

On August 10, 2023, the District issued its \$5,165,000 Series 2023 Unlimited Tax Bonds at a net effective rate of 4.566457%. Proceeds from the bonds were used to reimburse the District’s developers for infrastructure improvements in the District.

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## **Required Supplementary Information**

***Brazoria County Municipal Utility District No. 36  
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund  
 For the Year Ended May 31, 2023***

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 450,450	\$ 181,771	\$ 184,270	\$ 2,499
Investment earnings	1,200	27,744	48,350	20,606
<b>Total Revenues</b>	<b>451,650</b>	<b>209,515</b>	<b>232,620</b>	<b>23,105</b>
<b>Expenditures</b>				
Operating and administrative				
Professional fees	72,500	72,500	92,338	(19,838)
Contracted services	21,000	21,000	21,993	(993)
Repairs and maintenance	15,474	40,779	23,658	17,121
Administrative	27,500	39,500	30,147	9,353
Other	900	4,900	17,661	(12,761)
<b>Total Expenditures</b>	<b>137,374</b>	<b>178,679</b>	<b>185,797</b>	<b>(7,118)</b>
<b>Revenues Over Expenditures</b>	<b>314,276</b>	<b>30,836</b>	<b>46,823</b>	<b>15,987</b>
<b>Fund Balance</b>				
Beginning of the year	1,436,038	1,436,038	1,436,038	
<b>End of the year</b>	<b>\$ 1,750,314</b>	<b>\$ 1,466,874</b>	<b>\$ 1,482,861</b>	<b>\$ 15,987</b>

*Brazoria County Municipal Utility District No. 36*  
*Notes to Required Supplementary Information*  
*May 31, 2023*

**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. 36**  
**TSI-1. Services and Rates**  
**May 31, 2023**

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

- |  |   |  |  |
|--|---|--|--|
| <input type="checkbox"/> Retail Water                  | <input type="checkbox"/> Wholesale Water      | <input type="checkbox"/> Solid Waste / Garbage | <input checked="" type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater             | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control         | <input type="checkbox"/> Irrigation          |
| <input checked="" type="checkbox"/> Parks / Recreation | <input type="checkbox"/> Fire Protection      | <input type="checkbox"/> Roads                 | <input type="checkbox"/> Security            |
- Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
- Other (Specify): Water and sewer services provided by the City of Alvin

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \_\_\_\_\_ Wastewater \_\_\_\_\_

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.



*Brazoria County Municipal Utility District No. 36  
 TSI-2 General Fund Expenditures  
 For the Year Ended May 31, 2023*

Professional fees	
Legal	\$ 68,313
Audit	13,000
Engineering	11,025
	<u>92,338</u>
Contracted services	
Bookkeeping	<u>21,993</u>
Repairs and maintenance	<u>23,658</u>
Administrative	
Directors fees	9,750
Printing and office supplies	2,616
Insurance	3,153
Other	14,628
	<u>30,147</u>
Other	<u>17,661</u>
Total expenditures	<u>\$ 185,797</u>

See accompanying auditor's report.

*Brazoria County Municipal Utility District No. 36*  
*TSI-3. Investments*  
*May 31, 2023*

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexPool	Variable	N/A	\$ 1,472,651
Debt Service			
TexPool	Variable	N/A	939,885
Capital Projects			
TexPool	Variable	N/A	<u>540,877</u>
Total - All Funds			<u><u>\$ 2,953,413</u></u>

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 36***  
***TSI-4. Taxes Levied and Receivable***  
***May 31, 2023***

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 3,207	\$ 3,207	\$ 6,414	
Adjustments to Prior Year Tax Levy	(42)	(42)	(84)	
Adjusted Receivable	<u>3,165</u>	<u>3,165</u>	<u>6,330</u>	
2022 Original Tax Levy	172,887	679,198	852,085	
Adjustments	12,246	48,110	60,356	
Adjusted Tax Levy	<u>185,133</u>	<u>727,308</u>	<u>912,441</u>	
Total to be accounted for	<u>188,298</u>	<u>730,473</u>	<u>918,771</u>	
Tax collections:				
Current year	182,665	717,612	900,277	
Prior years	1,605	1,605	3,210	
Total Collections	<u>184,270</u>	<u>719,217</u>	<u>903,487</u>	
Taxes Receivable, End of Year	<u>\$ 4,028</u>	<u>\$ 11,256</u>	<u>\$ 15,284</u>	
Taxes Receivable, By Years				
2022	\$ 2,468	\$ 9,696	\$ 12,164	
2021	1,560	1,560	3,120	
Taxes Receivable, End of Year	<u>\$ 4,028</u>	<u>\$ 11,256</u>	<u>\$ 15,284</u>	
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Property Valuations:				
Land	\$ 24,146,910	\$ 24,052,530	\$ 20,720,220	\$ 11,587,790
Improvements	118,093,284	88,104,680	78,223,468	69,499,704
Personal Property	1,234,740	1,114,000	1,201,090	989,780
Exemptions	(11,237,203)	(7,177,654)	(6,682,836)	(6,003,927)
Total Property Valuations	<u>\$ 132,237,731</u>	<u>\$ 106,093,556</u>	<u>\$ 93,461,942</u>	<u>\$ 76,073,347</u>
Tax Rates per \$100 Valuation:				
Maintenance tax rates*	\$ 0.14	\$ 0.35	\$ 0.35	\$ 0.35
Debt service tax rates	0.55	0.35	0.35	0.35
Total Tax Rates per \$100 Valuation	<u>\$ 0.69</u>	<u>\$ 0.70</u>	<u>\$ 0.70</u>	<u>\$ 0.70</u>
Adjusted Tax Levy:	<u>\$ 912,441</u>	<u>\$ 742,655</u>	<u>\$ 654,234</u>	<u>\$ 532,513</u>
Percentage of Taxes Collected to Taxes Levied **	<u>98.67%</u>	<u>99.58%</u>	<u>100.00%</u>	<u>100.00%</u>

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 7, 2006

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

See accompanying auditor's report.

*Brazoria County Municipal Utility District No. 36*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2018--by Years*  
*May 31, 2023*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 85,000	\$ 150,394	\$ 235,394
2025	90,000	147,769	237,769
2026	95,000	144,994	239,994
2027	95,000	142,084	237,084
2028	100,000	138,975	238,975
2029	105,000	135,578	240,578
2030	115,000	131,794	246,794
2031	120,000	127,681	247,681
2032	125,000	123,394	248,394
2033	130,000	118,850	248,850
2034	135,000	113,962	248,962
2035	145,000	108,712	253,712
2036	150,000	103,181	253,181
2037	160,000	97,369	257,369
2038	165,000	91,275	256,275
2039	175,000	84,791	259,791
2040	185,000	77,700	262,700
2041	195,000	70,100	265,100
2042	205,000	62,100	267,100
2043	215,000	53,700	268,700
2044	225,000	44,900	269,900
2045	235,000	35,700	270,700
2046	245,000	26,100	271,100
2047	260,000	16,000	276,000
2048	270,000	5,400	275,400
	<u>\$ 4,025,000</u>	<u>\$ 2,352,503</u>	<u>\$ 6,377,503</u>

See accompanying auditor's report.

*Brazoria County Municipal Utility District No. 36*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2022--by Years*  
*May 31, 2023*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2024	\$ 110,000	\$ 156,137	\$ 266,137
2025	115,000	152,762	267,762
2026	115,000	149,312	264,312
2027	125,000	145,712	270,712
2028	125,000	141,962	266,962
2029	130,000	138,787	268,787
2030	130,000	136,188	266,188
2031	130,000	132,938	262,938
2032	135,000	128,963	263,963
2033	140,000	124,838	264,838
2034	145,000	120,563	265,563
2035	145,000	116,394	261,394
2036	155,000	112,269	267,269
2037	155,000	108,006	263,006
2038	160,000	103,675	263,675
2039	165,000	99,206	264,206
2040	170,000	94,600	264,600
2041	175,000	89,856	264,856
2042	175,000	85,044	260,044
2043	185,000	80,094	265,094
2044	190,000	74,700	264,700
2045	195,000	68,925	263,925
2046	205,000	62,925	267,925
2047	205,000	56,775	261,775
2048	215,000	50,475	265,475
2049	505,000	39,675	544,675
2050	525,000	24,225	549,225
2051	545,000	8,175	553,175
	<u>\$ 5,470,000</u>	<u>\$ 2,803,181</u>	<u>\$ 8,273,181</u>

See accompanying auditor's report.



*Brazoria County Municipal Utility District No. 36*  
*TSI-5. Long-Term Debt Service Requirements*  
*All Bonded Debt Series--by Years*  
*May 31, 2023*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 195,000	\$ 306,531	\$ 501,531
2025	205,000	300,531	505,531
2026	210,000	294,306	504,306
2027	220,000	287,796	507,796
2028	225,000	280,937	505,937
2029	235,000	274,365	509,365
2030	245,000	267,982	512,982
2031	250,000	260,619	510,619
2032	260,000	252,357	512,357
2033	270,000	243,688	513,688
2034	280,000	234,525	514,525
2035	290,000	225,106	515,106
2036	305,000	215,450	520,450
2037	315,000	205,375	520,375
2038	325,000	194,950	519,950
2039	340,000	183,997	523,997
2040	355,000	172,300	527,300
2041	370,000	159,956	529,956
2042	380,000	147,144	527,144
2043	400,000	133,794	533,794
2044	415,000	119,600	534,600
2045	430,000	104,625	534,625
2046	450,000	89,025	539,025
2047	465,000	72,775	537,775
2048	485,000	55,875	540,875
2049	505,000	39,675	544,675
2050	525,000	24,225	549,225
2051	545,000	8,175	553,175
	<u>\$ 9,495,000</u>	<u>\$ 5,155,684</u>	<u>\$ 14,650,684</u>

See accompanying auditor's report.

**Brazoria County Municipal Utility District No. 36**  
**TSI-6. Change in Long-Term Bonded Debt**  
**May 31, 2023**

	Bond Issue		Totals
	Series 2018	Series 2022	
Interest rate	3.00% - 4.00%	2.00% - 3.00%	
Dates interest payable	9/1; 3/1	9/1; 3/1	
Maturity dates	9/1/20 - 9/1/47	9/1/23 - 9/1/50	
Beginning bonds outstanding	\$ 4,105,000	\$ 5,470,000	\$ 9,575,000
Bonds retired	(80,000)		(80,000)
Ending bonds outstanding	<u>\$ 4,025,000</u>	<u>\$ 5,470,000</u>	<u>\$ 9,495,000</u>
Interest paid during fiscal year	<u>\$ 152,869</u>	<u>\$ 151,213</u>	<u>\$ 304,082</u>
Paying agent's name and city	<u>The Bank of New York Mellon Trust Company, N.A., Dallas, Texas</u>		
	Water, Sewer and Drainage Bonds	Park and Recreational Facilities Bonds	Refunding Bonds
Bond Authority:			
Amount Authorized by Voters	\$ 63,100,000	\$ 6,000,000	\$ 41,000,000
Amount Issued	(9,720,000)		
Remaining To Be Issued	<u>\$ 53,380,000</u>	<u>\$ 6,000,000</u>	<u>\$ 41,000,000</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 investment balances as of May 31, 2023: \$ 1,014,666

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 523,239

See accompanying auditor's report.

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***Brazoria County Municipal Utility District No. 36***

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

***For the Last Five Fiscal Years***

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Property taxes	\$ 184,270	\$ 369,988	\$ 330,133	\$ 266,087	\$ 303,039
Investment earnings	48,350	1,587	1,063	13,594	14,009
Total Revenues	<u>232,620</u>	<u>371,575</u>	<u>331,196</u>	<u>279,681</u>	<u>317,048</u>
Expenditures					
Operating and administrative					
Professional fees	92,338	73,691	98,162	81,550	80,739
Contracted services	21,993	20,540	16,974	16,061	12,175
Repairs and maintenance	23,658	39,237	28,498		
Administrative	30,147	20,299	17,943	15,868	18,787
Other	17,661	2,331	144	739	1,974
Total Expenditures	<u>185,797</u>	<u>156,098</u>	<u>161,721</u>	<u>114,218</u>	<u>113,675</u>
Revenues Over Expenditures	<u>\$ 46,823</u>	<u>\$ 215,477</u>	<u>\$ 169,475</u>	<u>\$ 165,463</u>	<u>\$ 203,373</u>

\*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
79%	100%	100%	95%	96%
21%	*	*	5%	4%
100%	100%	100%	100%	100%
40%	20%	30%	29%	25%
9%	6%	5%	6%	4%
10%	11%	9%		
13%	5%	5%	6%	6%
8%	1%	*	*	1%
80%	43%	49%	41%	36%
20%	57%	51%	59%	64%

*Brazoria County Municipal Utility District No. 36*

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

*For the Last Five Fiscal Years*

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Property taxes	\$ 719,217	\$ 371,758	\$ 330,134	\$ 261,386	\$ 120,891
Penalties and interest	1,783	4,541	2,201	3,795	1,131
Miscellaneous		176	126	40	50
Investment earnings	24,619	848	485	4,994	6,709
Total Revenues	<u>745,619</u>	<u>377,323</u>	<u>332,946</u>	<u>270,215</u>	<u>128,781</u>
Expenditures					
Tax collection services	15,266	21,113	12,197	11,380	8,855
Other	336	80	1,430	20	236
Debt service					
Principal	80,000	75,000	70,000		
Interest and fees	305,582	155,944	158,119	159,169	101,522
Total Expenditures	<u>401,184</u>	<u>252,137</u>	<u>241,746</u>	<u>170,569</u>	<u>110,613</u>
Revenues Over Expenditures	<u>\$ 344,435</u>	<u>\$ 125,186</u>	<u>\$ 91,200</u>	<u>\$ 99,646</u>	<u>\$ 18,168</u>

\*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
97%	99%	99%	97%	94%
*	1%	1%	1%	1%
	*	*	*	*
3%	*	*	2%	5%
100%	100%	100%	100%	100%
2%	6%	4%	4%	7%
*	*	*	*	*
11%	20%	21%		
41%	41%	47%	59%	79%
54%	67%	72%	63%	86%
46%	33%	28%	37%	14%

***Brazoria County Municipal Utility District No. 36  
TSI-8. Board Members, Key Personnel and Consultants  
For the Year Ended May 31, 2023***

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 12, 2022  
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
 (Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
Mark R. Nokelby	05/22 - 05/26	\$ 1,800	\$ 394	President
Jean Froehlich	05/22 - 05/26	1,500	447	Vice President
Esther Buentello Flores	05/20 - 05/24	1,800	281	Secretary
Paul Torres	05/22 - 05/26	1,050	316	Assistant Secretary
Kimberly Stevens	05/20 - 05/24	3,600	361	Assistant Vice President
<b>Consultants</b>				
		<u>Amounts Paid</u>		
Allen Boone Humphries Robinson LLP <i>General legal fees</i>	04/05	\$ 66,491		Attorney
McLennan & Associates, LP	06/05	24,729		Bookkeeper
Assessments of the Southwest, Inc.	06/05	7,082		Tax Collector
Brazoria County Appraisal District	Legislation	2,991		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	01/07	646		Delinquent Tax Attorney
R.G. Miller Engineers, Inc.	04/13	11,571		Engineer
McGrath & Co., PLLC	05/17	12,000		Auditor
Rathmann & Associates, L.P.	01/06			Financial Advisor

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