

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

BRAZORIA COUNTY, TEXAS

FINANCIAL REPORT

May 31, 2024

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Funds Balance Sheet		16
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		17
Notes to Financial Statements		19
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		34
Notes to Required Supplementary Information		35
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	38
General Fund Expenditures	TSI-2	40
Investments	TSI-3	41
Taxes Levied and Receivable	TSI-4	42
Long-Term Debt Service Requirements by Years	TSI-5	43
Change in Long-Term Bonded Debt	TSI-6	47
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	48
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	50
Board Members, Key Personnel and Consultants	TSI-8	52

McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

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, 2024, 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, 2024, 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.



Houston, Texas
October 10, 2024

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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, 2024***

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, 2024. 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, 2024***

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, 2024, was negative \$9,326,445. 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, 2024 **and 2023**, is as follows:

	2024	2023
Current and other assets	\$ 2,939,190	\$ 3,058,040
Capital assets	4,733,984	4,806,568
Total assets	7,673,174	7,864,608
Current liabilities	364,741	293,983
Long-term liabilities	16,634,878	15,514,837
Total liabilities	16,999,619	15,808,820
Net position		
Net investment in capital assets	(3,137,668)	(5,031,026)
Restricted	1,090,630	930,866
Unrestricted	(7,279,407)	(3,844,052)
Total net position	\$ (9,326,445)	\$ (7,944,212)

***Brazoria County Municipal Utility District No. 36
Management’s Discussion and Analysis
May 31, 2024***

The total net position of the District decreased during the current fiscal year by \$1,382,233. A comparative summary of the District’s *Statement of Activities* for the past two years is as follows:

	<u>2024</u>	<u>2023</u>
Revenues		
Property taxes, penalties and interest	\$ 1,073,462	\$ 915,669
Other	136,495	91,043
Total revenues	<u>1,209,957</u>	<u>1,006,712</u>
Expenses		
Operating and administrative	281,867	221,279
Debt interest and fees	497,068	314,328
Developer interest	575,613	
Debt issuance costs	472,001	
Depreciation	47,774	47,774
Total expenses	<u>1,874,323</u>	<u>583,381</u>
Change in net position before other items	(664,366)	423,331
Other items		
Transfers to other governments	<u>(717,867)</u>	<u>(1,345,204)</u>
Change in net position	(1,382,233)	(921,873)
Net position, beginning of year	<u>(7,944,212)</u>	<u>(7,022,339)</u>
Net position, end of year	<u><u>\$ (9,326,445)</u></u>	<u><u>\$ (7,944,212)</u></u>

Financial Analysis of the District’s Funds

The District’s combined fund balances, as of May 31, 2024, were \$2,896,421, which consists of \$1,588,763 in the General Fund, \$1,211,424 in the Debt Service Fund and \$96,234 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund’s financial position as of May 31, 2024 **and 2023**, is as follows:

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 1,607,344</u>	<u>\$ 1,503,306</u>
Total liabilities	\$ 14,759	\$ 16,417
Total deferred inflows	3,822	4,028
Total fund balance	<u>1,588,763</u>	<u>1,482,861</u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 1,607,344</u></u>	<u><u>\$ 1,503,306</u></u>

***Brazoria County Municipal Utility District No. 36
Management’s Discussion and Analysis
May 31, 2024***

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

	<u>2024</u>	<u>2023</u>
Total revenues	\$ 324,187	\$ 232,620
Total expenditures	<u>(218,285)</u>	<u>(185,797)</u>
Revenues over expenditures	<u>\$ 105,902</u>	<u>\$ 46,823</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. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.

Debt Service Fund

A comparative summary of the Debt Service Fund’s financial position as of May 31, 2024 **and 2023**, is as follows:

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 1,235,612</u>	<u>\$ 1,013,432</u>
Total liabilities	\$ 8,864	\$ 4,342
Total deferred inflows	15,324	13,617
Total fund balance	<u>1,211,424</u>	<u>995,473</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,235,612</u>	<u>\$ 1,013,432</u>

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

	<u>2024</u>	<u>2023</u>
Total revenues	\$ 872,411	\$ 745,619
Total expenditures	<u>(656,460)</u>	<u>(401,184)</u>
Revenues over expenditures	<u>\$ 215,951</u>	<u>\$ 344,435</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 requirement.

***Brazoria County Municipal Utility District No. 36
Management’s Discussion and Analysis
May 31, 2024***

Capital Projects Fund

A comparative summary of the Capital Projects Fund’s financial position as of May 31, 2024 **and 2023**, is as follows:

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 96,234</u>	<u>\$ 541,302</u>
Total fund balance	<u>\$ 96,234</u>	<u>\$ 541,302</u>

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

	<u>2024</u>	<u>2023</u>
Total revenues	<u>\$ 11,857</u>	<u>\$ 18,074</u>
Total expenditures	<u>(5,621,925)</u>	<u>(19,880)</u>
Revenues under expenditures	<u>(5,610,068)</u>	<u>(1,806)</u>
Other changes in fund balance	<u>5,165,000</u>	
Net change in fund balance	<u>\$ (445,068)</u>	<u>\$ (1,806)</u>

The District’s capital asset activity in the current year was financed with proceeds from the issuance of its Series 2023 Unlimited Tax Bonds. The District did not have any significant capital asset activity in the previous fiscal year.

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 \$6,005 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, 2024***

Capital assets held by the District at May 31, 2024 **and 2023**, are summarized as follows:

	<u>2024</u>	<u>2023</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ 3,143,245</u>	<u>\$ 3,168,055</u>
Capital assets being depreciated		
Drainage	2,149,818	2,149,818
Less accumulated depreciation	<u>(559,079)</u>	<u>(511,305)</u>
Depreciable capital assets, net	<u>1,590,739</u>	<u>1,638,513</u>
Capital assets, net	<u><u>\$ 4,733,984</u></u>	<u><u>\$ 4,806,568</u></u>

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, 2024, capital assets in the amount of \$717,867 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, 2024, the District owes approximately \$2,374,878 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. 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 is trued up when the developers are reimbursed.

At May 31, 2024 **and 2023**, the District had total bonded debt outstanding as shown below:

<u>Series</u>	<u>2024</u>	<u>2023</u>
2018	\$ 3,940,000	\$ 4,025,000
2022	5,360,000	5,470,000
2023	<u>5,165,000</u>	<u> </u>
	<u><u>\$ 14,465,000</u></u>	<u><u>\$ 9,495,000</u></u>

During the current year, the District issued \$5,165,000 in unlimited tax bonds. At May 31, 2024, the District had \$48,215,000 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.

***Brazoria County Municipal Utility District No. 36
Management’s Discussion and Analysis
May 31, 2024***

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>2024 Actual</u>	<u>2025 Budget</u>
Total revenues	\$ 324,187	\$ 300,688
Total expenditures	<u>(218,285)</u>	<u>(205,730)</u>
Revenues over expenditures	105,902	94,958
Beginning fund balance	<u>1,482,861</u>	<u>1,588,763</u>
Ending fund balance	<u><u>\$ 1,588,763</u></u>	<u><u>\$ 1,683,721</u></u>

Property Taxes

The District’s property tax base increased approximately \$18,499,000 for the 2024 tax year from \$164,510,579 to \$183,009,465. This increase was primarily due to 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, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 1,759	\$ 109,214	\$ 953	\$ 111,926	\$ -	\$ 111,926
Investments	1,583,802	1,127,210	97,106	2,808,118		2,808,118
Taxes receivable	3,822	15,324		19,146		19,146
Internal balances	17,961	(16,136)	(1,825)			
Capital assets not being depreciated					3,143,245	3,143,245
Capital assets, net					1,590,739	1,590,739
Total Assets	\$ 1,607,344	\$ 1,235,612	\$ 96,234	\$ 2,939,190	4,733,984	7,673,174
Liabilities						
Accounts payable	\$ 14,759	\$ -	\$ -	\$ 14,759		14,759
Other payables		8,864		8,864		8,864
Accrued interest payable					136,118	136,118
Due to developers					2,374,878	2,374,878
Long-term debt						
Due within one year					205,000	205,000
Due after one year					14,260,000	14,260,000
Total Liabilities	14,759	8,864		23,623	16,975,996	16,999,619
Deferred Inflows of Resources						
Deferred property taxes	3,822	15,324		19,146	(19,146)	
Fund Balance/Net Position						
Fund Balance						
Restricted		1,211,424	96,234	1,307,658	(1,307,658)	
Unassigned	1,588,763			1,588,763	(1,588,763)	
Total Fund Balance	1,588,763	1,211,424	96,234	2,896,421	(2,896,421)	
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,607,344	\$ 1,235,612	\$ 96,234	\$ 2,939,190		
Net Position						
Net investment in capital assets					(3,137,668)	(3,137,668)
Restricted for debt service					1,090,630	1,090,630
Unrestricted					(7,279,407)	(7,279,407)
Total Net Position					\$ (9,326,445)	\$ (9,326,445)

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, 2024***

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 246,015	\$ 819,949	\$ -	\$ 1,065,964	\$ 1,151	\$ 1,067,115
Penalties and interest		5,996		5,996	351	6,347
Investment earnings	78,172	46,466	11,857	136,495		136,495
Total Revenues	324,187	872,411	11,857	1,208,455	1,502	1,209,957
Expenditures/Expenses						
Operating and administrative						
Professional fees	105,460	2,166	40,830	148,456		148,456
Contracted services	26,136	18,178		44,314		44,314
Repairs and maintenance	48,144			48,144		48,144
Administrative	35,794	1,607		37,401		37,401
Other	2,751	336	465	3,552		3,552
Capital outlay			4,533,016	4,533,016	(4,533,016)	
Debt service						
Principal		195,000		195,000	(195,000)	
Interest and fees		439,173		439,173	57,895	497,068
Developer interest			575,613	575,613		575,613
Debt issuance costs			472,001	472,001		472,001
Depreciation					47,774	47,774
Total Expenditures/Expenses	218,285	656,460	5,621,925	6,496,670	(4,622,347)	1,874,323
Revenues Over/(Under) Expenditures/Expenses	105,902	215,951	(5,610,068)	(5,288,215)	4,623,849	(664,366)
Other Financing Sources						
Proceeds from sale of bonds			5,165,000	5,165,000	(5,165,000)	
Other Items						
Transfers to other governments					(717,867)	(717,867)
Net Change in Fund Balance	105,902	215,951	(445,068)	(123,215)	123,215	
Change in Net Position					(1,382,233)	(1,382,233)
Fund Balance/Net Position						
Beginning of the year	1,482,861	995,473	541,302	3,019,636	(10,963,848)	(7,944,212)
End of the year	\$ 1,588,763	\$ 1,211,424	\$ 96,234	\$ 2,896,421	\$ (12,222,866)	\$ (9,326,445)

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 in other funds. The primary source of revenue is 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, 2024, 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 improvements 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, 2024

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		\$ 2,896,421
--	--	--------------

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

Historical cost		\$ 5,293,063
Less accumulated depreciation		<u>(559,079)</u>
Change due to capital assets		4,733,984

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		(14,465,000)
Interest payable on bonds		<u>(136,118)</u>
Change due to long-term debt		(14,601,118)

Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .		(2,374,878)
---	--	-------------

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.		19,146
--	--	--------

Total net position - governmental activities		<u><u>\$ (9,326,445)</u></u>
--	--	------------------------------

Brazoria County Municipal Utility District No. 36
Notes to Financial Statements
May 31, 2024

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 \$ (123,215)

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.

1,502

Governmental funds report capital outlays for developer reimbursements 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	\$ 4,533,016	
Depreciation expense	<u>(47,774)</u>	
		4,485,242

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	(5,165,000)	
Principal payments	195,000	
Interest expense accrual	<u>(57,895)</u>	
		(5,027,895)

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.

(717,867)

Change in net position of governmental activities	\$ (1,382,233)
---	----------------

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 May 31, 2024, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 1,583,802	AAAm	40 days
	Debt Service	1,127,210		
	Capital Projects	97,106		
		<u>\$ 2,808,118</u>		

Brazoria County Municipal Utility District No. 36
Notes to Financial Statements
May 31, 2024

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 and Transactions

Amounts due to/from other funds at May 31, 2024, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 16,136	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	1,825	Bond issuance costs paid by the General Fund

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. 36
Notes to Financial Statements
May 31, 2024

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended May 31, 2024, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 3,168,055	\$ (24,810)	\$ 3,143,245
Capital assets being depreciated			
Drainage	2,149,818		2,149,818
Less accumulated depreciation	(511,305)	(47,774)	(559,079)
Subtotal depreciable capital assets, net	<u>1,638,513</u>	<u>(47,774)</u>	<u>1,590,739</u>
Capital assets, net	<u>\$ 4,806,568</u>	<u>\$ (72,584)</u>	<u>\$ 4,733,984</u>

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

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	\$ 6,214,837
Developer reimbursements	(4,533,016)
Developer funded construction and adjustments	<u>693,057</u>
Due to developers, end of year	<u>\$ 2,374,878</u>

Brazoria County Municipal Utility District No. 36
Notes to Financial Statements
May 31, 2024

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 14,465,000</u>
Due within one year	<u>\$ 205,000</u>

The District’s bonds payable at May 31, 2024, 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	\$ 3,940,000	\$ 4,250,000	3.00% - 4.00%	September 1, 2020/2047	September 1, March 1	September 1, 2023
2022	5,360,000	5,470,000	2.00% - 3.00%	September 1, 2023/2050	September 1, March 1	September 1, 2027
2023	5,165,000	5,165,000	4.00% - 6.50%	September 1, 2025/2053	September 1, March 1	September 1, 2028
	<u>\$ 14,465,000</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, 2024, the District had authorized but unissued bonds in the amount of \$48,215,000 for water, sewer and drainage facilities; \$6,000,000 for park and recreational facilities; and \$41,000,000 for refunding purposes.

On August 10, 2023, the District issued its \$5,165,000 Series 2023 Unlimited Tax Bonds at a net effective interest rate of 4.566457%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds.

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

Bonds payable, beginning of year	\$ 9,495,000
Bonds issued	5,165,000
Bonds retired	(195,000)
Bonds payable, end of year	<u>\$ 14,465,000</u>

Brazoria County Municipal Utility District No. 36
Notes to Financial Statements
May 31, 2024

Note 7 – Long-Term Debt (continued)

As of May 31, 2024, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2025	\$ 205,000	\$ 535,412	\$ 740,412
2026	285,000	526,937	811,937
2027	295,000	515,927	810,927
2028	305,000	504,218	809,218
2029	315,000	492,446	807,446
2030	325,000	480,863	805,863
2031	335,000	468,138	803,138
2032	350,000	454,863	804,863
2033	360,000	441,694	801,694
2034	375,000	428,381	803,381
2035	390,000	415,062	805,062
2036	405,000	401,406	806,406
2037	420,000	387,231	807,231
2038	435,000	372,506	807,506
2039	450,000	357,153	807,153
2040	465,000	340,988	805,988
2041	485,000	324,003	809,003
2042	505,000	306,241	811,241
2043	520,000	287,838	807,838
2044	540,000	268,434	808,434
2045	565,000	247,772	812,772
2046	585,000	226,266	811,266
2047	605,000	204,000	809,000
2048	630,000	180,866	810,866
2049	655,000	158,213	813,213
2050	680,000	136,091	816,091
2051	700,000	113,259	813,259
2052	725,000	85,834	810,834
2053	760,000	52,875	812,875
2054	795,000	17,889	812,889
	<u>\$ 14,465,000</u>	<u>\$ 9,732,806</u>	<u>\$ 24,197,806</u>

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, 2024

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 2024 fiscal year was financed through the **2023** tax levy, pursuant to which the District levied property taxes of \$0.65 per \$100 of assessed value, of which \$0.15 was allocated to maintenance and operations and \$0.50 was allocated to debt service. The resulting tax levy was \$1,069,320 on the adjusted taxable value of \$164,510,579.

Property taxes receivable, at May 31, 2024, consisted of the following:

Current year taxes receivable	\$ 12,749
Prior years taxes receivable	3,685
	<u>16,434</u>
Penalty and interest receivable	2,712
Property taxes receivable	<u>\$ 19,146</u>

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, 2024, the District reported transfers to other governments in the amount of \$717,867 for projects completed and transferred to the City.

Note 10 – Utility Agreement with the City of Alvin

On August 5, 2004, Skymark Land Development, Inc., a developer of land within the District, 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. The Agreement was approved and assumed by the District on June 9, 2005. 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.

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 October 10, 2024, the District approved a preliminary official statement and notice of sale for its Series 2024 Unlimited Tax Bonds in the amount of \$3,600,000. The acceptance of bids and award of sale is scheduled for November 2024. Proceeds of the bonds will primarily be used to reimburse developers for amounts currently reported in “Due to developer.”

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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, 2024***

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 181,071	\$ 242,371	\$ 246,015	\$ 3,644
Investment earnings	58,696	58,696	78,172	19,476
Total Revenues	239,767	301,067	324,187	23,120
Expenditures				
Operating and administrative				
Professional fees	84,000	84,000	105,460	(21,460)
Contracted services	21,600	21,600	26,136	(4,536)
Repairs and maintenance	40,780	40,780	48,144	(7,364)
Administrative	46,230	49,890	35,794	14,096
Other	4,900	4,900	2,751	2,149
Total Expenditures	197,510	201,170	218,285	(17,115)
Revenues Over Expenditures	42,257	99,897	105,902	6,005
Fund Balance				
Beginning of the year	1,482,861	1,482,861	1,482,861	
End of the year	\$ 1,525,118	\$ 1,582,758	\$ 1,588,763	\$ 6,005

Brazoria County Municipal Utility District No. 36
Notes to Required Supplementary Information
May 31, 2024

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, 2024

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 |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | |
| <input checked="" type="checkbox"/> Other (Specify): <u>Water and sewer services provided by the City of Alvin</u> | | | |

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-1. Services and Rates
May 31, 2024

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	<u> N/A </u>	Water Accountability Ratio:
Gallons billed to customers:	<u> N/A </u>	(Gallons billed / Gallons pumped)
		<u> N/A </u>

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District:

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Brazoria County

Is the District located within a city? Entirely Partly Not at all

City(ies) in which the District is located: City of Alvin

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

Entirely Partly Not at all

ETJs in which the District is located: _____

Are Board members appointed by an office outside the district? Yes No

If Yes, by whom? _____

See accompanying auditor's report.

*Brazoria County Municipal Utility District No. 36
TSI-2 General Fund Expenditures
For the Year Ended May 31, 2024*

Professional fees	
Legal	\$ 84,405
Audit	15,250
Engineering	5,805
	<u>105,460</u>
Contracted services	
Bookkeeping	<u>26,136</u>
Repairs and maintenance	<u>48,144</u>
Administrative	
Directors fees	13,339
Printing and office supplies	1,779
Insurance	3,156
Other	17,520
	<u>35,794</u>
Other	<u>2,751</u>
Total expenditures	<u>\$ 218,285</u>

See accompanying auditor's report.

Brazoria County Municipal Utility District No. 36
TSI-3. Investments
May 31, 2024

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	\$ 1,583,802
Debt Service			
TexPool	Variable	N/A	1,127,210
Capital Projects			
TexPool	Variable	N/A	57,721
TexPool	Variable	N/A	39,385
			<u>97,106</u>
Total - All Funds			<u>\$ 2,808,118</u>

See accompanying auditor's report.

Brazoria County Municipal Utility District No. 36
TSI-4. Taxes Levied and Receivable
May 31, 2024

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 4,028	\$ 11,256	\$ 15,284	
Adjustments to Prior Year Tax Levy	(320)	(1,886)	(2,206)	
Adjusted Receivable	<u>3,708</u>	<u>9,370</u>	<u>13,078</u>	
2023 Original Tax Levy	233,002	776,674	1,009,676	
Adjustments	13,764	45,880	59,644	
Adjusted Tax Levy	<u>246,766</u>	<u>822,554</u>	<u>1,069,320</u>	
Total to be accounted for	<u>250,474</u>	<u>831,924</u>	<u>1,082,398</u>	
Tax collections:				
Current year	243,824	812,747	1,056,571	
Prior years	2,828	6,565	9,393	
Total Collections	<u>246,652</u>	<u>819,312</u>	<u>1,065,964</u>	
Taxes Receivable, End of Year	<u>\$ 3,822</u>	<u>\$ 12,612</u>	<u>\$ 16,434</u>	
Taxes Receivable, By Years				
2023	\$ 2,942	\$ 9,807	\$ 12,749	
2022	682	2,681	3,363	
2021	9	9	18	
2020 and prior	189	115	304	
Taxes Receivable, End of Year	<u>\$ 3,822</u>	<u>\$ 12,612</u>	<u>\$ 16,434</u>	
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Property Valuations:				
Land	\$ 45,211,112	\$ 24,146,910	\$ 23,993,330	\$ 20,655,100
Improvements	141,680,809	118,093,284	88,104,680	78,223,468
Personal Property	1,763,540	1,234,740	1,173,200	1,266,210
Exemptions	(24,144,882)	(11,601,206)	(7,177,654)	(6,682,836)
Total Property Valuations	<u>\$ 164,510,579</u>	<u>\$ 131,873,728</u>	<u>\$ 106,093,556</u>	<u>\$ 93,461,942</u>
Tax Rates per \$100 Valuation:				
Maintenance tax rates*	\$ 0.15	\$ 0.14	\$ 0.35	\$ 0.35
Debt service tax rates	0.50	0.55	0.35	0.35
Total Tax Rates per \$100 Valuation	<u>\$ 0.65</u>	<u>\$ 0.69</u>	<u>\$ 0.70</u>	<u>\$ 0.70</u>
Adjusted Tax Levy:	<u>\$ 1,069,320</u>	<u>\$ 909,929</u>	<u>\$ 742,655</u>	<u>\$ 654,234</u>
Percentage of Taxes Collected to Taxes Levied **	<u>98.81%</u>	<u>99.63%</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, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
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>\$ 3,940,000</u>	<u>\$ 2,202,109</u>	<u>\$ 6,142,109</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, 2024

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
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>\$ 5,360,000</u>	<u>\$ 2,647,044</u>	<u>\$ 8,007,044</u>

See accompanying auditor's report.

Brazoria County Municipal Utility District No. 36
TSI-5. Long-Term Debt Service Requirements
Series 2023--by Years
May 31, 2024

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ -	\$ 234,881	\$ 234,881
2026	75,000	232,631	307,631
2027	75,000	228,131	303,131
2028	80,000	223,281	303,281
2029	80,000	218,081	298,081
2030	80,000	212,881	292,881
2031	85,000	207,519	292,519
2032	90,000	202,506	292,506
2033	90,000	198,006	288,006
2034	95,000	193,856	288,856
2035	100,000	189,956	289,956
2036	100,000	185,956	285,956
2037	105,000	181,856	286,856
2038	110,000	177,556	287,556
2039	110,000	173,156	283,156
2040	110,000	168,688	278,688
2041	115,000	164,047	279,047
2042	125,000	159,097	284,097
2043	120,000	154,044	274,044
2044	125,000	148,834	273,834
2045	135,000	143,147	278,147
2046	135,000	137,241	272,241
2047	140,000	131,225	271,225
2048	145,000	124,991	269,991
2049	150,000	118,538	268,538
2050	155,000	111,866	266,866
2051	155,000	105,084	260,084
2052	725,000	85,834	810,834
2053	760,000	52,875	812,875
2054	795,000	17,889	812,889
	<u>\$ 5,165,000</u>	<u>\$ 4,883,653</u>	<u>\$ 10,048,653</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, 2024

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ 205,000	\$ 535,412	\$ 740,412
2026	285,000	526,937	811,937
2027	295,000	515,927	810,927
2028	305,000	504,218	809,218
2029	315,000	492,446	807,446
2030	325,000	480,863	805,863
2031	335,000	468,138	803,138
2032	350,000	454,863	804,863
2033	360,000	441,694	801,694
2034	375,000	428,381	803,381
2035	390,000	415,062	805,062
2036	405,000	401,406	806,406
2037	420,000	387,231	807,231
2038	435,000	372,506	807,506
2039	450,000	357,153	807,153
2040	465,000	340,988	805,988
2041	485,000	324,003	809,003
2042	505,000	306,241	811,241
2043	520,000	287,838	807,838
2044	540,000	268,434	808,434
2045	565,000	247,772	812,772
2046	585,000	226,266	811,266
2047	605,000	204,000	809,000
2048	630,000	180,866	810,866
2049	655,000	158,213	813,213
2050	680,000	136,091	816,091
2051	700,000	113,259	813,259
2052	725,000	85,834	810,834
2053	760,000	52,875	812,875
2054	795,000	17,889	812,889
	<u>\$ 14,465,000</u>	<u>\$ 9,732,806</u>	<u>\$ 24,197,806</u>

See accompanying auditor's report.

Brazoria County Municipal Utility District No. 36
TSI-6. Change in Long-Term Bonded Debt
May 31, 2024

	Bond Issue			Totals
	Series 2018	Series 2022	Series 2023	
Interest rate	3.00% - 4.00%	2.00% - 3.00%	4.00% - 6.50%	
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	
Maturity dates	9/1/20 - 9/1/47	9/1/23 - 9/1/50	9/1/25 - 9/1/53	
Beginning bonds outstanding	\$ 4,025,000	\$ 5,470,000	\$ -	\$ 9,495,000
Bonds issued			5,165,000	5,165,000
Bonds retired	(85,000)	(110,000)		(195,000)
Ending bonds outstanding	<u>\$ 3,940,000</u>	<u>\$ 5,360,000</u>	<u>\$ 5,165,000</u>	<u>\$ 14,465,000</u>
Interest paid during fiscal year	<u>\$ 150,394</u>	<u>\$ 156,137</u>	<u>\$ 131,142</u>	<u>\$ 437,673</u>

Paying agent's name and city
All Series

The Bank of New York Mellon Trust Company, N.A., Houston, Texas

	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	(14,885,000)		
Remaining To Be Issued	<u>\$ 48,215,000</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, 2024: \$ 1,236,424

Average annual debt service payment (principal and interest) for remaining term term of all debt: \$ 806,594

See accompanying auditor's report.

Brazoria County Municipal Utility District No. 36
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2024	2023	2022	2021	2020
Revenues					
Property taxes	\$ 246,015	\$ 184,270	\$ 369,988	\$ 330,133	\$ 266,087
Investment earnings	78,172	48,350	1,587	1,063	13,594
Total Revenues	<u>324,187</u>	<u>232,620</u>	<u>371,575</u>	<u>331,196</u>	<u>279,681</u>
Expenditures					
Operating and administrative					
Professional fees	105,460	92,338	73,691	98,162	81,550
Contracted services	26,136	21,993	20,540	16,974	16,061
Repairs and maintenance	48,144	23,658	39,237	28,498	
Administrative	35,794	30,147	20,299	17,943	15,868
Other	2,751	17,661	2,331	144	739
Total Expenditures	<u>218,285</u>	<u>185,797</u>	<u>156,098</u>	<u>161,721</u>	<u>114,218</u>
Revenues Over Expenditures	<u>\$ 105,902</u>	<u>\$ 46,823</u>	<u>\$ 215,477</u>	<u>\$ 169,475</u>	<u>\$ 165,463</u>

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2024	2023	2022	2021	2020
76%	79%	100%	100%	95%
24%	21%	*	*	5%
100%	100%	100%	100%	100%
33%	40%	20%	30%	29%
8%	9%	6%	5%	6%
15%	10%	11%	9%	
11%	13%	5%	5%	6%
1%	8%	1%	*	*
68%	80%	43%	49%	41%
32%	20%	57%	51%	59%

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				
	2024	2023	2022	2021	2020
Revenues					
Property taxes	\$ 819,949	\$ 719,217	\$ 371,758	\$ 330,134	\$ 261,386
Penalties and interest	5,996	1,783	4,541	2,201	3,795
Miscellaneous			176	126	40
Investment earnings	46,466	24,619	848	485	4,994
Total Revenues	<u>872,411</u>	<u>745,619</u>	<u>377,323</u>	<u>332,946</u>	<u>270,215</u>
Expenditures					
Tax collection services	21,951	15,266	21,113	12,197	11,380
Other	336	336	80	1,430	20
Debt service					
Principal	195,000	80,000	75,000	70,000	
Interest and fees	439,173	305,582	155,944	158,119	159,169
Total Expenditures	<u>656,460</u>	<u>401,184</u>	<u>252,137</u>	<u>241,746</u>	<u>170,569</u>
Revenues Over Expenditures	<u>\$ 215,951</u>	<u>\$ 344,435</u>	<u>\$ 125,186</u>	<u>\$ 91,200</u>	<u>\$ 99,646</u>

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2024	2023	2022	2021	2020
94%	97%	99%	99%	97%
1%	*	1%	1%	1%
		*	*	*
5%	3%	*	*	2%
100%	100%	100%	100%	100%
3%	2%	6%	4%	4%
*	*	*	*	*
22%	11%	20%	21%	
50%	41%	41%	47%	59%
75%	54%	67%	72%	63%
25%	46%	33%	28%	37%

***Brazoria County Municipal Utility District No. 36
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended May 31, 2024***

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 9, 2024
 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
Board Members				
Mark R. Nokelby	05/22 - 05/26	\$ 2,431	\$ -	President
Emma Delgado	02/24 - 05/26	1,547		Vice President
Esther Buentello Flores	05/24 - 05/28	2,431		Secretary
Paul Torres	05/22 - 05/26	2,210		Assistant Secretary
Kimberly Stevens	05/24 - 05/28	3,978	1,690	Assistant Vice President
Jean Froehlich	05/22 - 02/24	422		Former Director
Consultants				
Allen Boone Humphries Robinson LLP	04/05	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 87,832		
<i>Bond counsel</i>		148,466		
McLennan & Associates, LP	06/05	33,017		Bookkeeper
Assessments of the Southwest, Inc.	06/05	11,650		Tax Collector
Brazoria County Appraisal District	Legislation	6,528		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	01/07	2,247		Delinquent Tax Attorney
R.G. Miller Engineers, Inc.	04/13	47,722		Engineer
McGrath & Co., PLLC	05/17	23,000		Auditor
Rathmann & Associates, L.P.	01/06	104,800		Financial Advisor

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