

**PECAN GROVE MUNICIPAL
UTILITY DISTRICT**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2017

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Independent Auditors' Report

Board of Directors
Pecan Grove Municipal Utility District
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Pecan Grove Municipal Utility District, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

***Board of Directors
Pecan Grove Municipal Utility District
Fort Bend County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Pecan Grove Municipal Utility District, as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

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

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



Houston, Texas
January 30, 2018

Management's Discussion and Analysis

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***Pecan Grove Municipal Utility District
Management's Discussion and Analysis
September 30, 2017***

Using this Annual Report

Within this section of the financial report of Pecan Grove Municipal Utility District (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 September 30, 2017. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

***Pecan Grove Municipal Utility District
Management's Discussion and Analysis
September 30, 2017***

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 September 30, 2017, was \$22,742,815. A comparative summary of the District's overall financial position, as of September 30, 2017 and 2016, is as follows:

	2017	2016
Current and other assets	\$ 12,643,448	\$ 15,549,801
Capital assets	64,324,925	61,639,974
Total assets	<u>76,968,373</u>	<u>77,189,775</u>
Current liabilities	3,410,290	2,386,012
Long-term liabilities	50,815,268	52,596,822
Total liabilities	<u>54,225,558</u>	<u>54,982,834</u>
Net position		
Net investment in capital assets	16,645,203	14,874,527
Restricted	2,063,494	2,041,137
Unrestricted	4,034,118	5,291,277
Total net position	<u>\$ 22,742,815</u>	<u>\$ 22,206,941</u>

***Pecan Grove Municipal Utility District
Management's Discussion and Analysis
September 30, 2017***

The total net position of the District increased during the current fiscal year by \$535,874. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2017</u>	<u>2016</u>
Revenues		
Property taxes, penalties and interest	\$ 6,556,009	\$ 6,319,173
Water and sewer	2,587,797	2,502,054
Other	2,640,906	2,106,627
Total revenues	<u>11,784,712</u>	<u>10,927,854</u>
Expenses		
Current service operations	7,053,649	6,443,415
Interest and fees	2,123,581	2,146,531
Debt issuance costs	114,953	229,812
Depreciation	1,956,655	1,762,728
Total expenses	<u>11,248,838</u>	<u>10,582,486</u>
Change in net position	535,874	345,368
Net position, beginning of year	22,206,941	21,861,573
Net position, end of year	<u>\$ 22,742,815</u>	<u>\$ 22,206,941</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2017, were \$11,143,124, which consists of \$3,991,255 in the General Fund, \$2,131,323 in the Debt Service Fund and \$5,020,546 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of September 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Total assets	<u>\$ 5,115,542</u>	<u>\$ 6,376,537</u>
Total liabilities	\$ 1,081,424	\$ 1,085,260
Total deferred inflows	42,863	33,655
Total fund balance	<u>3,991,255</u>	<u>5,257,622</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 5,115,542</u>	<u>\$ 6,376,537</u>

***Pecan Grove Municipal Utility District
Management's Discussion and Analysis
September 30, 2017***

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

	<u>2017</u>	<u>2016</u>
Total revenues	\$ 7,802,479	\$ 7,066,939
Total expenditures	<u>(8,011,602)</u>	<u>(8,149,746)</u>
Revenues under expenditures	(209,123)	(1,082,807)
Other changes in fund balance	<u>(1,057,244)</u>	
Net change in fund balance	<u><u>\$ (1,266,367)</u></u>	<u><u>\$ (1,082,807)</u></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 and the provision of water and sewer services to customers within the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues in the District have remained fairly consistent from year to year.
- Water, sewer and surface water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.

During the current year, the District recognized a transfer in the amount of \$1,057,244 to eliminate an internal balance between the General Fund and the Capital Projects Fund for construction costs that the District initially anticipated would be reimbursed from future bond proceeds. Additional information is presented in Note 4.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of September 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Total assets	<u>\$ 2,235,716</u>	<u>\$ 2,212,393</u>
Total liabilities	\$ 586	\$ 3,532
Total deferred inflows	103,807	80,594
Total fund balance	<u>2,131,323</u>	<u>2,128,267</u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 2,235,716</u></u>	<u><u>\$ 2,212,393</u></u>

***Pecan Grove Municipal Utility District
Management's Discussion and Analysis
September 30, 2017***

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

	<u>2017</u>	<u>2016</u>
Total revenues	\$ 3,929,908	\$ 3,825,733
Total expenditures	<u>(3,926,852)</u>	<u>(3,666,948)</u>
Revenues over expenditures	<u>\$ 3,056</u>	<u>\$ 158,785</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.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of September 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Total assets	<u>\$ 5,292,190</u>	<u>\$ 6,960,871</u>
Total liabilities	\$ 271,644	\$ 1,129,496
Total fund balance	<u>5,020,546</u>	<u>5,831,375</u>
Total liabilities and fund balance	<u>\$ 5,292,190</u>	<u>\$ 6,960,871</u>

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

	<u>2017</u>	<u>2016</u>
Total revenues	\$ 24,273	\$ 14,514
Total expenditures	<u>(3,682,346)</u>	<u>(6,508,305)</u>
Revenues under expenditures	(3,658,073)	(6,493,791)
Other changes in fund balance	2,847,244	4,961,460
Net change in fund balance	<u>\$ (810,829)</u>	<u>\$ (1,532,331)</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its \$1,790,000 Series 2017 Unlimited Tax Bonds in the current year and the sale of its \$5,000,000 Series 2016 Unlimited Tax Bonds in the prior year.

During the current year, the District recognized a transfer in the amount of \$1,057,244 to eliminate an internal balance between the General Fund and the Capital Projects Fund for construction costs

***Pecan Grove Municipal Utility District
Management's Discussion and Analysis
September 30, 2017***

that the District initially anticipated would be reimbursed from future bond proceeds. Additional information is presented in Note 4.

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 did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$1,409,949 less than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

Capital assets held by the District at September 30, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Capital assets not being depreciated		
Land and improvements	\$ 9,505,714	\$ 6,811,534
Construction in progress	270,979	6,622,392
	<u>9,776,693</u>	<u>13,433,926</u>
Capital assets being depreciated		
Infrastructure	82,949,395	74,783,386
Recreational facilities	1,307,004	1,174,174
Equipment	126,637	126,637
	<u>84,383,036</u>	<u>76,084,197</u>
Less accumulated depreciation/amortization		
Infrastructure	(28,981,190)	(27,104,177)
Recreational facilities	(782,633)	(723,911)
Equipment	(70,981)	(50,061)
	<u>(29,834,804)</u>	<u>(27,878,149)</u>
Depreciable capital assets, net	<u>54,548,232</u>	<u>48,206,048</u>
Capital assets, net	<u>\$ 64,324,925</u>	<u>\$ 61,639,974</u>

The District's construction in progress is related to the construction of flood gates on FM 359 and the elevation of intake slab at the sewer treatment plant. Capital asset additions during the current year include the following:

- Drainage improvements to serve The Grove Sections 4 and 5 and The Plantation Sections 4, 5 and 7
- Wastewater treatment plant improvements
- Water plant no. 1 master control center replacement

*Pecan Grove Municipal Utility District
Management's Discussion and Analysis
September 30, 2017*

Long-Term Debt and Related Liabilities

At September 30, 2017 and 2016, the District had total bonded debt outstanding as shown below:

Series	2017	2016
2008	\$ -	\$ 700,000
2010	30,250,000	30,700,000
2013	13,060,000	13,335,000
2015	3,500,000	3,600,000
2016	4,800,000	5,000,000
2017	1,790,000	
	<u>\$ 53,400,000</u>	<u>\$ 53,335,000</u>

During the year, the District issued \$1,790,000 in unlimited tax bonds. At September 30, 2017, the District had \$5,000,000 unlimited tax bonds authorized, but unissued 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 water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	2017 Actual	2018 Budget
Total revenues	\$ 7,802,479	\$ 7,644,871
Total expenditures	(8,011,602)	(7,290,711)
Revenues over/(under) expenditures	(209,123)	354,160
Other changes in fund balance	(1,057,244)	
Net change in fund balance	(1,266,367)	354,160
Beginning fund balance	5,257,622	3,991,255
Ending fund balance	<u>\$ 3,991,255</u>	<u>\$ 4,345,415</u>

Property Taxes

The District's property tax base increased approximately \$43,434,000 for the 2017 tax year from \$1,032,699,011 to \$1,076,132,816. For the 2017 tax year, the District has levied a maintenance tax rate of \$0.25 per \$100 of assessed value and a debt service tax rate of \$0.365 per \$100 of assessed value, for a total combined tax rate of \$0.615 per \$100. Tax rates for the 2016 tax year were \$0.25 per \$100 for maintenance and operations and \$0.375 per \$100 for debt service.

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Basic Financial Statements

Pecan Grove Municipal Utility District
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 496,709	\$ 76,433	\$ 301,250	\$ 874,392	\$ -	\$ 874,392
Investments	3,563,592	2,054,295	4,990,940	10,608,827		10,608,827
Taxes receivable, net	42,863	103,807		146,670		146,670
Customer service receivables, net	608,907			608,907		608,907
Internal balances	(1,181)	1,181				
Other receivables	168,600			168,600		168,600
Prepaid items	236,052			236,052		236,052
Capital assets not being depreciated					9,776,693	9,776,693
Capital assets, net					54,548,232	54,548,232
Total Assets	\$ 5,115,542	\$ 2,235,716	\$ 5,292,190	\$ 12,643,448	64,324,925	76,968,373
Liabilities						
Accounts payable	\$ 734,893	\$ 586	\$ 271,644	\$ 1,007,123		1,007,123
Other payables	59,694			59,694		59,694
Customer deposits	264,522			264,522		264,522
Builder deposits	5,403			5,403		5,403
Unearned revenue	16,912			16,912		16,912
Accrued interest payable					171,636	171,636
Long-term debt						
Due within one year					1,885,000	1,885,000
Due after one year					50,815,268	50,815,268
Total Liabilities	1,081,424	586	271,644	1,353,654	52,871,904	54,225,558
Deferred Inflows of Resources						
Deferred property taxes	42,863	103,807		146,670	(146,670)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	236,052			236,052	(236,052)	
Restricted		2,131,323	5,020,546	7,151,869	(7,151,869)	
Unassigned	3,755,203			3,755,203	(3,755,203)	
Total Fund Balances	3,991,255	2,131,323	5,020,546	11,143,124	(11,143,124)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,115,542	\$ 2,235,716	\$ 5,292,190	\$ 12,643,448		
Net Position						
Net investment in capital assets					16,645,203	16,645,203
Restricted for debt service					2,063,494	2,063,494
Unrestricted					4,034,118	4,034,118
Total Net Position					\$ 22,742,815	\$ 22,742,815

See notes to basic financial statements.

*Pecan Grove Municipal Utility District
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2017*

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 1,123,736	\$ -	\$ -	\$ 1,123,736	\$ -	\$ 1,123,736
Sewer service	1,464,061			1,464,061		1,464,061
Surface water fees	805,534			805,534		805,534
Property taxes	2,571,699	3,856,384		6,428,083	22,160	6,450,243
Penalties and interest	54,086	41,417		95,503	10,263	105,766
Fire protection fees	655,350			655,350		655,350
City of Richmond shared revenues	157,390			157,390		157,390
Water supply	434,250			434,250		434,250
Tap connection and inspection	177,265			177,265		177,265
Accrued interest on bonds sold		4,371		4,371	(4,371)	
Miscellaneous	324,791			324,791		324,791
Investment earnings	34,317	27,736	24,273	86,326		86,326
Total Revenues	7,802,479	3,929,908	24,273	11,756,660	28,052	11,784,712
Expenditures/Expenses						
Current service operations						
Professional fees	388,147	8,693	177,175	574,015		574,015
Contracted services	1,668,676	98,571		1,767,247		1,767,247
Surface water plant	1,360,432			1,360,432		1,360,432
Surface water transportation costs	107,954			107,954		107,954
Repairs and maintenance	1,800,119		41,708	1,841,827		1,841,827
Utilities	274,219			274,219		274,219
Solid waste	617,509			617,509		617,509
Administrative	169,958	8,994		178,952		178,952
Parks and recreation	265,077			265,077		265,077
Other	65,812		605	66,417		66,417
Capital outlay	1,293,699		3,347,905	4,641,604	(4,641,604)	
Debt service						
Principal		1,725,000		1,725,000	(1,725,000)	
Interest and fees		2,085,594		2,085,594	37,987	2,123,581
Debt issuance costs			114,953	114,953		114,953
Depreciation					1,956,655	1,956,655
Total Expenditures/Expenses	8,011,602	3,926,852	3,682,346	15,620,800	(4,371,962)	11,248,838
Revenues Over/(Under)						
Expenditures	(209,123)	3,056	(3,658,073)	(3,864,140)	3,864,140	
Other Financing Sources/(Uses)						
Proceeds from sale of bonds			1,790,000	1,790,000	(1,790,000)	
Internal transfers	(1,057,244)		1,057,244			
Net Change in Fund Balances	(1,266,367)	3,056	(810,829)	(2,074,140)	2,074,140	
Change in Net Position					535,874	535,874
Fund Balance/Net Position						
Beginning of the year	5,257,622	2,128,267	5,831,375	13,217,264	8,989,677	22,206,941
End of year	\$ 3,991,255	\$ 2,131,323	\$ 5,020,546	\$ 11,143,124	\$ 11,599,691	\$ 22,742,815

See notes to basic financial statements.

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Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2017

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Pecan Grove Municipal Utility District (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Water Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated May 27, 1975, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on December 20, 1976 and the first bonds were sold on September 27, 1979. The District changed its name to Pecan Grove Municipal Utility District on June 25, 1981.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

*Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2017*

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary 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 accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

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

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

Use of Restricted Resources

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

*Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2017*

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2017, allowances of \$4,930 and \$11,000 were provided for possible uncollectible property taxes and water/sewer accounts, respectively.

Unbilled Service Revenues

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

Interfund Activity

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

Capital Assets

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

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

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	20-45 years
Recreational facilities	15-20 years
Equipment	5-15 years

The District’s levee system, detention facilities and drainage channels are considered improvements to land and are non-depreciable.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

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

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

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2017

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 collectibility of receivables; the value of unbilled utility revenues and receivables and the useful lives and impairment of capital assets. 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		\$ 11,143,124
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 94,159,729	
Less accumulated depreciation	<u>(29,834,804)</u>	
Change due to capital assets		64,324,925
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	(52,700,268)	
Interest payable on bonds	<u>(171,636)</u>	
Change due to long-term debt		(52,871,904)
Receivables that are not collected within sixty days of fiscal year end are not considered available to pay current period expenditures and are deferred in the funds.		
		146,670
Total net position - governmental activities		<u><u>\$ 22,742,815</u></u>

***Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2017***

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

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

Net change in fund balances - total governmental funds \$ (2,074,140)

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. 32,423

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

Capital outlays	\$ 4,641,604	
Depreciation expense	(1,956,655)	
	2,684,949	2,684,949

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	(1,790,000)	
Principal payments	1,725,000	
Interest expense accrual	(42,358)	
	(107,358)	(107,358)

Change in net position of governmental activities \$ 535,874

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.

Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2017

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 September 30, 2017, the District’s investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
TexPool	General	\$ 1,014,637			
	Debt Service	42,047			
	Capital Projects	2,479,882			
		<u>3,536,566</u>	<u>33%</u>	AAA	37 days
Texas CLASS	General	2,548,955			
	Debt Service	2,012,248			
	Capital Projects	2,511,058			
		<u>7,072,261</u>	<u>67%</u>	AAA	26 days
Total		<u>\$ 10,608,827</u>	<u>100%</u>		

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.

Texas CLASS

The District also participates in Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administrator and Wells Fargo Bank as the custodian.

The District's investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District's investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Investments in Texas CLASS may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

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.

Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2017

Note 4 – Amounts Due to/from Other Funds

Amounts due to/from other funds at September 30, 2017, consist of the following:

	Interfund	
	Receivable	Payable
General Fund	\$ -	\$ 1,181
Debt Service Fund	1,181	
	<u>\$ 1,181</u>	<u>\$ 1,181</u>

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

In a previous fiscal year, the District recorded an internal balance between the General Fund and Capital Projects Fund for costs paid by the General Fund related to the construction of capital assets. It was anticipated that the General Fund would eventually be reimbursed by the Capital Projects Fund from future bond proceeds. During the current year, it was determined that the reimbursement will not take place. As a result, the internal balance was eliminated, which resulted in an internal transfer in the amount of \$1,057,244 being reported between the funds.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended September 30, 2017, is as follows:

	Beginning Balances	Additions	Retirements	Ending Balances
Capital assets not being depreciated				
Land and easements	\$ 6,811,534	\$ 2,694,180	\$ -	\$ 9,505,714
Construction in progress	6,622,392	120,929	(6,472,342)	270,979
	<u>13,433,926</u>	<u>2,815,109</u>	<u>(6,472,342)</u>	<u>9,776,693</u>
Capital assets being depreciated				
Infrastructure	74,783,386	8,166,009		82,949,395
Recreational facilities	1,174,174	132,830		1,307,004
Equipment	126,637			126,637
	<u>76,084,197</u>	<u>8,298,839</u>		<u>84,383,036</u>
Less accumulated depreciation				
Infrastructure	(27,104,177)	(1,877,013)		(28,981,190)
Recreational facilities	(723,911)	(58,722)		(782,633)
Equipment	(50,061)	(20,920)		(70,981)
	<u>(27,878,149)</u>	<u>(1,956,655)</u>		<u>(29,834,804)</u>
Subtotal depreciable capital assets, net	<u>48,206,048</u>	<u>6,342,184</u>		<u>54,548,232</u>
Capital assets, net	<u>\$ 61,639,974</u>	<u>\$ 9,157,293</u>	<u>\$ (6,472,342)</u>	<u>\$ 64,324,925</u>

Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2017

Note 5 – Capital Assets (continued)

Depreciation expense for the current year was \$1,956,655. Beginning balances for certain capital assets have been reclassified from prior year for financial statement presentation purposes.

The District has contractual commitments for ongoing construction projects as follows:

	<u>Contract Amount</u>	<u>Amounts Paid</u>	<u>Remaining Commitment</u>
Pecan Lakes flood protection system 2016 improvements	\$ 232,298	\$ 32,603	\$ 199,695

Note 6 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 53,400,000
Unamortized discounts	<u>(699,732)</u>
	<u>\$ 52,700,268</u>
Due within one year	<u>\$ 1,885,000</u>

The District's bonds payable at September 30, 2017, consists of unlimited tax bonds as follows:

Series	<u>Amounts Outstanding</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Maturity Date, Serially, Beginning/ Ending</u>	<u>Interest Payment Dates</u>	<u>Call Dates</u>
2010	\$ 30,250,000	\$ 32,000,000	4.0% - 5.75%	September 1, 2013/2035	March 1, September 1	September 1, 2019
2013	13,060,000	13,810,000	3.0% - 3.75%	September 1, 2014/2039	March 1, September 1	September 1, 2019
2015	3,500,000	3,700,000	2.0% - 3.75%	September 1, 2016/2040	March 1, September 1	September 1, 2022
2016	4,800,000	5,000,000	2.0% - 3.25%	September 1, 2017/2040	March 1, September 1	September 1, 2022
2017	1,790,000	1,790,000	2.0% - 4.0%	September 1, 2018/2040	March 1, September 1	September 1, 2024
	<u>\$ 53,400,000</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.

*Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2017*

Note 6 – Long-Term Debt (continued)

At September 30, 2017, the District had authorized but unissued bonds in the amount of \$5,000,000 for refunding purposes.

On August 30, 2017, the District issued its \$1,790,000 Series 2017 Unlimited Tax Bonds at a net effective interest rate of 3.07284%. Proceeds of the bonds will be used to fund construction costs of the Jones Creek slope rehabilitation.

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

Bonds payable, beginning of year	\$ 53,335,000
Bonds issued	1,790,000
Bonds retired	<u>(1,725,000)</u>
Bonds payable, end of year	<u><u>\$ 53,400,000</u></u>

As of September 30, 2017, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2018	\$ 1,885,000	\$ 2,071,878	\$ 3,956,878
2019	1,965,000	1,987,656	3,952,656
2020	2,030,000	1,906,633	3,936,633
2021	2,095,000	1,836,931	3,931,931
2022	2,165,000	1,764,633	3,929,633
2023	2,240,000	1,688,531	3,928,531
2024	2,320,000	1,608,433	3,928,433
2025	2,400,000	1,525,131	3,925,131
2026	2,465,000	1,440,233	3,905,233
2027	2,560,000	1,348,582	3,908,582
2028	2,635,000	1,252,495	3,887,495
2029	2,740,000	1,152,906	3,892,906
2030	2,825,000	1,042,932	3,867,932
2031	2,935,000	928,193	3,863,193
2032	3,040,000	807,806	3,847,806
2033	3,170,000	681,817	3,851,817
2034	3,285,000	546,425	3,831,425
2035	3,410,000	404,868	3,814,868
2036	1,650,000	257,125	1,907,125
2037	1,650,000	199,187	1,849,187
2038	1,675,000	140,812	1,815,812
2039	1,635,000	81,499	1,716,499
2040	625,000	21,812	646,812
	<u><u>\$ 53,400,000</u></u>	<u><u>\$ 24,696,518</u></u>	<u><u>\$ 78,096,518</u></u>

***Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2017***

Note 7 – Property Taxes

On August 12, 1978, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$0.25 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Fort Bend Central 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 2017 fiscal year was financed through the 2016 tax levy, pursuant to which the District levied property taxes of \$0.625 per \$100 of assessed value, of which \$0.25 was allocated to maintenance and operations and \$0.375 was allocated to debt service. The resulting tax levy was \$6,454,369 on the adjusted taxable value of \$1,032,699,011.

Net property taxes receivable, at September 30, 2017, consisted of the following:

Current year taxes receivable	\$ 49,365
Prior years taxes receivable	63,349
Less allowance for uncollectible accounts	<u>(4,930)</u>
	107,784
Penalty and interest receivable	<u>38,886</u>
Net property taxes receivable	<u><u>\$ 146,670</u></u>

Note 8 – Strategic Partnership Agreement

On October 22, 2007, the District and the City of Richmond (the “City”) entered into a Strategic Partnership Agreement (the “Agreement”) under which the City annexed a tract of land within the boundaries of the District for limited purposes of levying sales and use tax on commercial activities within such tract. The District continues to exercise all powers and functions of a municipal utility district as provided by law with respect to the tract. As consideration for the District providing services as detailed in the Agreement, the City agreed to remit one-half of all City sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments by the City, the District agreed to continue to provide and develop water, sewer and drainage services within the District in lieu of full purpose annexation. The City agreed it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 50 years. During the current year, the District recorded \$157,390 in revenues related to the Agreement.

Note 9 – Lease Agreement for Water Supply Capacity

On December 16, 2014, the District entered into a lease agreement with Grand Parkway 1358 L.P. on behalf of Fort Bend County Municipal Utility District No. 134D (“MUD 134D”) and Fort Bend County Municipal Utility District No. 134E (“MUD 134E”) whereby the District agrees to temporarily lease excess capacity in its system to serve MUD 134D and MUD 134E with water for up to 2,100 equivalent single family connections. This agreement was subsequently assigned to MUD 134D and MUD 134E. The initial term of the agreement is three years from the date the first connection is made, which may be extended in three year increments.

Pursuant to the terms of agreement, MUD 134D paid a reservation fee of \$5,000 per month until the first permanent connection was made. At which time, MUD 134D began paying its pro rata share of the costs of certain portions of the District’s water supply system. The agreement also provides that, on the twelfth month after the first permanent connection to the District’s system, 134D will be required to pay the District a monthly capital fee. During the current fiscal year, the District recognized \$434,250 in revenues for monthly operation and maintenance costs.

Note 10 – Fire Protection Agreements

On April 15, 2015, the District entered into an agreement with Pecan Grove Volunteer Fire Department (“PGVFD”). As part of the agreement, PGVFD will provide fire and rescue services to certain areas within the District in return for a payment of monthly fire protection fees. The District shall pay PGVFD \$11.00 per month for each ESFC plus an administrative fee of \$300 per month. The agreement is effective fifteen years from the effective date of November 15, 2015 and automatically renew for successive one year terms. Either party may terminate the agreement by giving 120 days written notice.

On April 24, 2015, the District entered into a Fire Protection Agreement with the City. The City has agreed to provide fire protection services to certain residential and commercial properties within the District in return for payment of monthly fire protection fees. The District shall pay the City \$11.22, after CPI adjustments, per month for each residential and commercial connection, plus an administrative fee of \$287 per month. The Fire Protection Agreement with the City may be cancelled, by either party, after the term of 10 years from the effective date of November 15, 2015, with at least one year’s written notice.

During the year, the District paid \$608,088 to PGVFD and \$59,183 to the City for fire protection services while collecting \$655,350 from customers within the District.

*Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2017*

Note 11 – Raw Surface Water Agreements

The District has entered into an agreement with the Brazos River Authority (“BRA”) dated February 1, 2007, which provides for the District to receive up to 3,100 acre feet of raw surface water from the Brazos River. The agreement, which expires August 31, 2057, is a take or pay agreement under which the District is obligated to pay regardless of whether it utilizes the water. In January 2010, the District assigned its rights under the agreement to the Gulf Coast Water Authority (“GCWA”), but retained the obligation to pay the annual reservation fee. The District also entered into an agreement with the GCWA dated January 21, 2010 whereby GCWA has agreed to take the water from the Brazos River and pump it through its canal system. The GCWA agreement with the District stipulates that the GCWA will supply up to 2.35 million gallons per day of surface water, for which the District agrees to pay a monthly fee as established by the GCWA.

The annual fee to be charged by GCWA for the 3,100 acre feet is the same rate charged by BRA. During the year, the District recognized expenditures of \$107,954 for monthly water supply.

The District entered into a second agreement with the BRA for an additional 700 acre feet effective November 1, 2010. This agreement is also on a take or pay basis and expires on August 31, 2040. The District makes an annual payment to the BRA for the 700 acre feet at the rate established by the BRA. During the year, the District recognized expenditures of \$321,717 for raw surface water.

Note 12 – 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 13 –Potential Litigation

The Houston area, including Fort Bend County, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey’s landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District is located approximately 52 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms and other tropical disturbances.

On September 1, 2017, the District notified its insurance agent, McDonald & Wessendorff Insurance, that the District had experienced damage/loss of District owned/maintained property related to Hurricane Harvey. Further, the District received notice from a homeowner of an intent to file a claim against the District related to flooding during the Hurricane Harvey event. The insurance company retained the law firm of Harris Hillburn, LLP to represent the District in the event that this or similar threatened claims result in litigation.

Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2017

Note 13 –Potential Litigation (continued)

Subsequent to the fiscal year end, on October 24, 2017, the District received a Notice of Claim letter from the resident and their intention to file suit against the District, Environmental Development Partners, LLC (the District's operator) and Jones and Carter, Inc (the former engineer of the District). The letter stated the intention to seek monetary compensation from the District for damages to the resident's property, as well as out of pocket costs related to the displacement from their home due to the flooding, which the resident allege arose from the failure of the District to design and install closure devices to Plantation Sections 4 & 5 Drainage Improvements, which allegedly allowed storm water to flood portions of the Pecan Grove subdivision. As of the report date, no lawsuit has been filed.

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Required Supplementary Information

***Pecan Grove Municipal Utility District
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2017***

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 1,139,000	\$ 1,123,736	\$ (15,264)
Sewer service	1,436,000	1,464,061	28,061
Surface water fees	866,000	805,534	(60,466)
Property taxes	2,428,366	2,571,699	143,333
Penalties and interest	72,000	54,086	(17,914)
Fire protection fees	667,452	655,350	(12,102)
City of Richmond shared revenues	168,000	157,390	(10,610)
Water supply	385,011	434,250	49,239
Tap connection and inspection	118,950	177,265	58,315
Miscellaneous	227,344	324,791	97,447
Investment earnings	12,500	34,317	21,817
Total Revenues	<u>7,520,623</u>	<u>7,802,479</u>	<u>281,856</u>
Expenditures			
Current service operations			
Professional fees	335,500	388,147	(52,647)
Contracted services	1,671,962	1,668,676	3,286
Surface water fees	1,230,400	1,360,432	(130,032)
Surface water transportation costs	107,120	107,954	(834)
Repairs and maintenance	1,300,050	1,800,119	(500,069)
Utilities	315,500	274,219	41,281
Solid waste	592,215	617,509	(25,294)
Administrative	195,999	169,958	26,041
Parks and recreation	201,620	265,077	(63,457)
Other	63,675	65,812	(2,137)
Capital outlay	1,363,000	1,293,699	69,301
Total Expenditures	<u>7,377,041</u>	<u>8,011,602</u>	<u>(634,561)</u>
Revenues Over/(Under) Expenditures	143,582	(209,123)	(352,705)
Other Financing Uses			
Internal transfers		(1,057,244)	(1,057,244)
Net Change in Fund Balance	143,582	(1,266,367)	(1,409,949)
Fund Balance			
Beginning of the year	5,257,622	5,257,622	
End of the year	<u>\$ 5,401,204</u>	<u>\$ 3,991,255</u>	<u>\$ (1,409,949)</u>

Pecan Grove Municipal Utility District
Notes to Required Supplementary Information
September 30, 2017

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. There were no amendments to the budget during the year.

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Texas Supplementary Information

Pecan Grove Municipal Utility District
TSI-1. Services and Rates
September 30, 2017

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

- | | | | |
|---|---|---|--|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Solid Waste / Garbage | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input checked="" type="checkbox"/> Flood Control | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks / Recreation | <input checked="" type="checkbox"/> Fire Protection | <input type="checkbox"/> Roads | <input checked="" 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 via emergency interconnect</u> | | | |

2. Retail Service Providers

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

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

	<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:	\$ 11.00	N/A	N	\$ 1.00	6,001	to 10,000
				\$ 1.50	10,001	to 15,000
				\$ 1.75	15,001	to 20,000
				\$ 2.25	20,001	to 30,000
				\$ 2.50	30,000	to no limit
Wastewater:	\$ 27.43	N/A	Y			
Surcharge:						to
District employs winter averaging for wastewater usage?				<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Total charges per 10,000 gallons usage:				Water \$ 15.00	Wastewater \$ 27.43	

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"	4,223	4,192	x 1.0	4,192
1"	280	279	x 2.5	698
1.5"	13	12	x 5.0	60
2"	40	39	x 8.0	312
3"	6	6	x 15.0	90
4"	2	2	x 25.0	50
6"			x 50.0	
8"	1	1	x 80.0	80
10"			x 115.0	
Total Water	4,565	4,531		5,482
Total Wastewater	4,444	4,412	x 1.0	4,412

See accompanying auditor's report.

Pecan Grove Municipal Utility District
TSI-1. Services and Rates
September 30, 2017

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):
 (You may omit this information if your district does not provide water)

Gallons pumped into system:	<u>741,004,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>711,557,000</u>	(Gallons billed / Gallons pumped)
Gallons sold to FB MUD 134D:	<u>96,604,000</u>	<u>96.03%</u>

4. Standby Fees (authorized only under TWC Section 49.231):
 (You may omit this information if your district does not levy standby fees)

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 (required for first audit year or when information changes,
 otherwise this information may be omitted):

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Fort Bend

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

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

Is the District located within a city's extra territorial jurisdiction (ETJ)?
 Entirely Partly Not at all

ETJs in which the District is located: City of Richmond

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

If Yes, by whom? _____

See accompanying auditors' report.

*Pecan Grove Municipal Utility District
TSI-2 General Fund Expenditures
For the Year Ended September 30, 2017*

Professional fees		
Legal		\$ 191,689
Audit		15,500
Engineering		180,958
		<u>388,147</u>
Contracted services		
Bookkeeping		54,300
Operator		615,214
Fire protection		667,271
Security		226,663
Tap connection and inspection		105,228
		<u>1,668,676</u>
Surface water plant		<u>1,360,432</u>
Water transportation costs		<u>107,954</u>
Repairs and maintenance		<u>1,800,119</u>
Utilities		<u>274,219</u>
Solid waste		<u>617,509</u>
Administrative		
Directors fees		22,500
Printing and office supplies		38,273
Insurance		50,257
Other		58,928
		<u>169,958</u>
Parks and recreation		<u>265,077</u>
Other		<u>65,812</u>
Capital outlay		<u>1,293,699</u>
Total expenditures		<u><u>\$ 8,011,602</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	Usage	Cost
Electrical	4,178,030 kWh	\$ 370,498
Natural Gas	806 CCF	1,222

See accompanying auditors' report.

Pecan Grove Municipal Utility District
TSI-4. Taxes Levied and Receivable
September 30, 2017

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 33,655	\$ 51,970	\$ 85,625	
Adjustments to Prior Year Tax Levy	(1,603)	(2,523)	(4,126)	
Adjusted Receivable	32,052	49,447	81,499	
2016 Original Tax Levy	2,429,338	3,644,007	6,073,345	
Adjustments	152,410	228,614	381,024	
Adjusted Tax Levy	2,581,748	3,872,621	6,454,369	
Total to be accounted for	2,613,800	3,922,068	6,535,868	
Tax collections:				
Current year	2,562,002	3,843,002	6,405,004	
Prior years	8,935	14,145	23,080	
Total Collections	2,570,937	3,857,147	6,428,084	
Taxes Receivable, End of Year	\$ 42,863	\$ 64,921	\$ 107,784	
Taxes Receivable, By Years				
2016	\$ 19,746	\$ 29,619	\$ 49,365	
2015	10,630	16,583	27,213	
2014	4,009	6,931	10,940	
2013 and prior	8,478	11,788	20,266	
Taxes Receivable, End of Year	\$ 42,863	\$ 64,921	\$ 107,784	
	2016	2015	2014	2013
Property Valuations:				
Land	\$ 176,346,990	\$ 173,093,090	\$ 172,633,740	\$ 172,935,970
Improvements	895,825,343	833,341,515	733,720,263	682,775,373
Personal Property	15,003,590	13,219,370	16,614,478	14,868,796
Exemptions	(54,476,912)	(49,812,838)	(50,734,025)	(46,965,398)
Total Property Valuations	\$ 1,032,699,011	\$ 969,841,137	\$ 872,234,456	\$ 823,614,741
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.250	\$ 0.25	\$ 0.240	\$ 0.250
Debt service tax rates	0.375	0.39	0.415	0.405
Total Tax Rates per \$100 Valuation	\$ 0.625	\$ 0.64	\$ 0.655	\$ 0.655
Adjusted Tax Levy:	\$ 6,454,369	\$ 6,206,983	\$ 5,713,136	\$ 5,394,677
Percentage of Taxes Collected to Taxes Levied **	99.24%	99.56%	99.81%	99.85%

* Maximum Maintenance Tax Rate Approved by Voters: \$0.25 on 8/12/1978

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

See accompanying auditors' report.

Pecan Grove Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2010--by Years
September 30, 2017

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 980,000	\$ 1,342,406	\$ 2,322,406
2019	1,035,000	1,286,056	2,321,056
2020	1,100,000	1,229,132	2,329,132
2021	1,165,000	1,185,131	2,350,131
2022	1,235,000	1,138,532	2,373,532
2023	1,310,000	1,089,131	2,399,131
2024	1,390,000	1,036,732	2,426,732
2025	1,470,000	981,131	2,451,131
2026	1,560,000	922,332	2,482,332
2027	1,655,000	856,032	2,511,032
2028	1,755,000	785,694	2,540,694
2029	1,860,000	711,106	2,571,106
2030	1,970,000	627,406	2,597,406
2031	2,085,000	538,756	2,623,756
2032	2,215,000	444,931	2,659,931
2033	2,345,000	345,256	2,690,256
2034	2,485,000	236,800	2,721,800
2035	2,635,000	121,869	2,756,869
	<u>\$ 30,250,000</u>	<u>\$ 14,878,433</u>	<u>\$ 45,128,433</u>

See accompanying auditors' report.

*Pecan Grove Municipal Utility District
 TSI-5. Long-Term Debt Service Requirements
 Series 2013--by Years
 September 30, 2017*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 525,000	\$ 428,250	\$ 953,250
2019	550,000	412,500	962,500
2020	550,000	396,000	946,000
2021	550,000	379,500	929,500
2022	550,000	363,000	913,000
2023	550,000	346,500	896,500
2024	550,000	330,000	880,000
2025	550,000	313,500	863,500
2026	525,000	297,000	822,000
2027	525,000	281,250	806,250
2028	500,000	265,500	765,500
2029	500,000	250,500	750,500
2030	475,000	234,875	709,875
2031	475,000	219,438	694,438
2032	450,000	204,000	654,000
2033	450,000	188,812	638,812
2034	425,000	173,625	598,625
2035	400,000	158,750	558,750
2036	1,000,000	144,750	1,144,750
2037	1,000,000	108,500	1,108,500
2038	1,000,000	72,250	1,072,250
2039	960,000	36,000	996,000
	<u>\$ 13,060,000</u>	<u>\$ 5,604,500</u>	<u>\$ 18,664,500</u>

See accompanying auditors' report.

*Pecan Grove Municipal Utility District
 TSI-5. Long-Term Debt Service Requirements
 Series 2015--by Years
 September 30, 2017*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2018	\$ 100,000	\$ 115,188	\$ 215,188
2019	100,000	113,187	213,187
2020	100,000	111,188	211,188
2021	100,000	109,187	209,187
2022	100,000	107,188	207,188
2023	100,000	105,187	205,187
2024	100,000	102,188	202,188
2025	100,000	99,187	199,187
2026	100,000	96,188	196,188
2027	100,000	93,187	193,187
2028	100,000	90,188	190,188
2029	100,000	87,187	187,187
2030	100,000	83,938	183,938
2031	100,000	80,687	180,687
2032	100,000	77,313	177,313
2033	100,000	73,937	173,937
2034	100,000	70,438	170,438
2035	100,000	66,937	166,937
2036	350,000	63,313	413,313
2037	350,000	50,625	400,625
2038	350,000	37,500	387,500
2039	350,000	24,375	374,375
2040	300,000	11,250	311,250
	<u>\$ 3,500,000</u>	<u>\$ 1,869,563</u>	<u>\$ 5,369,563</u>

See accompanying auditors' report.

*Pecan Grove Municipal Utility District
 TSI-5. Long-Term Debt Service Requirements
 Series 2016--by Years
 September 30, 2017*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2018	\$ 200,000	\$ 127,250	\$ 327,250
2019	200,000	123,250	323,250
2020	200,000	119,250	319,250
2021	200,000	115,250	315,250
2022	200,000	111,250	311,250
2023	200,000	106,250	306,250
2024	200,000	101,250	301,250
2025	200,000	96,250	296,250
2026	200,000	91,250	291,250
2027	200,000	86,250	286,250
2028	200,000	81,250	281,250
2029	200,000	76,250	276,250
2030	200,000	71,250	271,250
2031	200,000	66,250	266,250
2032	200,000	60,750	260,750
2033	200,000	55,250	255,250
2034	200,000	49,250	249,250
2035	200,000	43,250	243,250
2036	225,000	37,250	262,250
2037	225,000	30,500	255,500
2038	250,000	23,750	273,750
2039	250,000	16,250	266,250
2040	250,000	8,125	258,125
	<u>\$ 4,800,000</u>	<u>\$ 1,696,875</u>	<u>\$ 6,496,875</u>

See accompanying auditors' report.

Pecan Grove Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
September 30, 2017

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2018	\$ 80,000	\$ 58,784	\$ 138,784
2019	80,000	52,663	132,663
2020	80,000	51,063	131,063
2021	80,000	47,863	127,863
2022	80,000	44,663	124,663
2023	80,000	41,463	121,463
2024	80,000	38,263	118,263
2025	80,000	35,063	115,063
2026	80,000	33,463	113,463
2027	80,000	31,863	111,863
2028	80,000	29,863	109,863
2029	80,000	27,863	107,863
2030	80,000	25,463	105,463
2031	75,000	23,062	98,062
2032	75,000	20,812	95,812
2033	75,000	18,562	93,562
2034	75,000	16,312	91,312
2035	75,000	14,062	89,062
2036	75,000	11,812	86,812
2037	75,000	9,562	84,562
2038	75,000	7,312	82,312
2039	75,000	4,874	79,874
2040	75,000	2,437	77,437
	<u>\$ 1,790,000</u>	<u>\$ 647,147</u>	<u>\$ 2,437,147</u>

See accompanying auditors' report.

***TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
September 30, 2017***

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2018	\$ 1,885,000	\$ 2,071,878	\$ 3,956,878
2019	1,965,000	1,987,656	3,952,656
2020	2,030,000	1,906,633	3,936,633
2021	2,095,000	1,836,931	3,931,931
2022	2,165,000	1,764,633	3,929,633
2023	2,240,000	1,688,531	3,928,531
2024	2,320,000	1,608,433	3,928,433
2025	2,400,000	1,525,131	3,925,131
2026	2,465,000	1,440,233	3,905,233
2027	2,560,000	1,348,582	3,908,582
2028	2,635,000	1,252,495	3,887,495
2029	2,740,000	1,152,906	3,892,906
2030	2,825,000	1,042,932	3,867,932
2031	2,935,000	928,193	3,863,193
2032	3,040,000	807,806	3,847,806
2033	3,170,000	681,817	3,851,817
2034	3,285,000	546,425	3,831,425
2035	3,410,000	404,868	3,814,868
2036	1,650,000	257,125	1,907,125
2037	1,650,000	199,187	1,849,187
2038	1,675,000	140,812	1,815,812
2039	1,635,000	81,499	1,716,499
2040	625,000	21,812	646,812
	<u>\$ 53,400,000</u>	<u>\$ 24,696,518</u>	<u>\$ 78,096,518</u>

See accompanying auditors' report.

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Pecan Grove Municipal Utility District
TSI-6. Change in Long-Term Bonded Debt
September 30, 2017

	Bond Issue			
	Series 2008	Series 2010	Series 2013	Series 2015
Interest rate	3.0% - 4.125%	4.0% - 5.75%	3.0% - 3.75%	2.0% - 3.75%
Dates interest payable	3/01; 9/01	3/01; 9/01	3/01; 9/01	3/01; 9/01
Maturity dates	9/1/09 - 9/1/17	9/1/13 - 9/1/35	9/1/14 - 9/1/39	9/1/16 - 9/1/40
Beginning bonds outstanding	\$ 700,000	\$ 30,700,000	\$ 13,335,000	\$ 3,600,000
Bonds issued				
Bonds retired	(700,000)	(450,000)	(275,000)	(100,000)
Ending bonds outstanding	<u>\$ -</u>	<u>\$ 30,250,000</u>	<u>\$ 13,060,000</u>	<u>\$ 3,500,000</u>
Interest paid during fiscal year	<u>\$ 28,875</u>	<u>\$ 1,368,281</u>	<u>\$ 436,500</u>	<u>\$ 117,188</u>
Paying agent's name and city All Series	<u>The Bank of New York Mellon Trust Company, N.A; Dallas, TX</u>			
Bond Authority:	Water, Sewer and Drainage Bonds	Other Bonds	Refunding Bonds	
Amount Authorized by Voters	\$ 75,500,000	\$ 24,300,000	\$ 32,974,200	
Amount Issued	(75,500,000)	(24,300,000)	(27,974,200)	
Remaining To Be Issued	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000,000</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 investments balances as of September 30, 2017: \$ 2,130,728

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 3,395,501

See accompanying auditors' report.

Bond Issue		
Series 2016	Series 2017	Totals
2.0% - 3.25%	2.0% - 4.0%	
3/01; 9/01	3/01; 9/01	
9/1/17 - 9/1/40	9/1/18 - 9/1/40	
\$ 5,000,000	\$ -	\$ 53,335,000
	1,790,000	1,790,000
(200,000)		(1,725,000)
<u>\$ 4,800,000</u>	<u>\$ 1,790,000</u>	<u>\$ 53,400,000</u>
<u>\$ 131,250</u>	<u>\$ -</u>	<u>\$ 2,082,094</u>

Pecan Grove Municipal Utility District
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2017	2016	2015	2014	2013
Revenues					
Water service	\$ 1,123,736	\$ 1,084,564	\$ 1,115,118	\$ 1,145,923	\$ 1,314,822
Sewer service	1,464,061	1,417,490	1,450,048	1,453,999	1,417,894
Surface water fees	805,534	761,058	813,571	608,377	360,799
Property taxes	2,571,699	2,415,972	2,091,369	2,054,544	2,033,900
Penalties and interest	54,086	66,678	75,214	67,244	69,082
Fire protection fees	655,350	98,450			
City of Richmond shared revenues	157,390	187,135	109,847	191,304	186,594
Water supply	434,250	118,798			
Tap connection and inspection	177,265	192,634	13,891	12,400	15,124
Miscellaneous	324,791	710,436	218,536	265,806	225,873
Investment earnings	34,317	13,724	7,793	9,817	12,026
Total Revenues	<u>7,802,479</u>	<u>7,066,939</u>	<u>5,895,387</u>	<u>5,809,414</u>	<u>5,636,114</u>
Expenditures					
Current service operations					
Professional fees	388,147	500,709	738,859	595,909	340,804
Contracted services	1,668,676	1,559,458	891,506	980,405	1,006,244
Surface water plant	1,360,432	1,058,843	1,154,406	1,058,271	1,048,006
Surface water transportation costs	107,954	96,128	91,237	123,459	114,223
Repairs and maintenance	1,800,119	1,541,526	1,395,520	994,070	1,291,128
Utilities	274,219	314,101	285,343	292,964	325,835
Solid waste	617,509	590,337	586,598	628,271	650,779
Administrative	169,958	185,181	225,231	171,394	152,543
Parks and recreation	265,077	229,707	273,251	141,990	190,950
Other	65,812	60,737	32,653	24,313	27,818
Capital outlay	1,293,699	2,013,019		766,630	
Total Expenditures	<u>8,011,602</u>	<u>8,149,746</u>	<u>5,674,604</u>	<u>5,777,676</u>	<u>5,148,330</u>
Revenues Over (Under) Expenditures	<u>\$ (209,123)</u>	<u>\$ (1,082,807)</u>	<u>\$ 220,783</u>	<u>\$ 31,738</u>	<u>\$ 487,784</u>

*Percentage is negligible

Percent of Fund Total Revenues

2017	2016	2015	2014	2013
14%	17%	19%	19%	25%
19%	20%	25%	26%	25%
10%	11%	14%	11%	6%
34%	34%	35%	35%	36%
1%	1%	1%	1%	1%
8%	1%			
2%	3%	2%	3%	3%
6%				
2%	3%	*	*	*
4%	10%	4%	5%	4%
*	*	*	*	*
100%	100%	100%	100%	100%
5%	7%	13%	10%	6%
21%	22%	15%	17%	18%
17%	15%	20%	18%	19%
1%	1%	2%	2%	2%
23%	22%	24%	17%	23%
4%	4%	5%	5%	6%
8%	8%	10%	11%	12%
2%	3%	4%	3%	3%
3%	3%	5%	2%	3%
1%	1%	1%	*	*
17%	28%		13%	
102%	114%	99%	98%	92%
(2%)	(14%)	1%	2%	8%

Pecan Grove Municipal Utility District
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2017	2016	2015	2014	2013
Revenues					
Property taxes	\$ 3,856,384	\$ 3,770,230	\$ 3,613,769	\$ 3,326,170	\$ 2,522,498
Penalties and interest	41,417	36,510	39,553	32,489	36,962
Accrued interest on bonds sold	4,371	9,115			
Investment earnings	27,736	9,878	4,232	2,957	4,046
Total Revenues	<u>3,929,908</u>	<u>3,825,733</u>	<u>3,657,554</u>	<u>3,361,616</u>	<u>2,563,506</u>
Expenditures					
Tax collection services	116,258	113,240	105,592	98,646	90,512
Debt service					
Principal	1,725,000	1,475,000	1,300,000	1,250,000	1,100,000
Interest and fees	2,085,594	2,078,708	1,950,174	2,006,681	1,755,238
Total Expenditures	<u>3,926,852</u>	<u>3,666,948</u>	<u>3,355,766</u>	<u>3,355,327</u>	<u>2,945,750</u>
Revenues Over (Under) Expenditures	<u>\$ 3,056</u>	<u>\$ 158,785</u>	<u>\$ 301,788</u>	<u>\$ 6,289</u>	<u>\$ (382,244)</u>
Total Active Retail Water Connections	<u>4,531</u>	<u>4,396</u>	<u>4,424</u>	<u>4,356</u>	<u>4,403</u>
Total Active Retail Wastewater Connections	<u>4,412</u>	<u>4,364</u>	<u>4,415</u>	<u>4,337</u>	<u>4,357</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2017	2016	2015	2014	2013
98%	99%	99%	99%	99%
1%	1%	1%	1%	1%
*	*			
1%	*	*	*	*
100%	100%	100%	100%	100%
3%	3%	3%	3%	4%
44%	39%	36%	37%	43%
53%	54%	53%	60%	68%
100%	96%	92%	100%	115%
0%	4%	8%	0%	(15%)

***Pecan Grove Municipal Utility District
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2017***

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): July 27, 2017
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.0600)

<u>Names:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid *</u>	<u>Expense Reimburse- ments</u>	<u>Title at Year End</u>
Board Members				
Chad Howard	5/16-5/20	\$ 4,950	\$ 332	President
Ryan Yokubaitis	5/14-5/18	4,500		Vice President
G.E. Kluppel	5/14-5/18	2,850		Secretary
Charles Bertrand	5/16-5/20	5,100	1,275	Assistant Vice President/ Assistant Secretary
Stephen Crow	5/16-5/20	5,100	281	Assistant Vice President/ Assistant Secretary
Consultants				
Allen Boone Humphries Robinson LLP	7/03			Attorney
<i>General legal</i>		\$ 202,289		
<i>Bond counsel</i>		40,110		
Environmental Development Partners, LLC	6/06	1,843,712		Operator
McLennan & Associates, LP	6/04	58,575		Bookkeeper
Tax Tech, Inc.	6/89	57,052		Tax Collector
Fort Bend Central Appraisal District	Legislation	41,519		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	1979	8,060		Delinquent Tax Attorney
Jones and Carter	1979	1,093,778		Engineer
McGrath & Co., PLLC	Annual	16,050		Auditor
FirstSouthwest, a Division of Hilltop Securities	8/90	40,697		Financial Advisor

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