

## OFFICIAL STATEMENT DATED SEPTEMBER 28, 2020

IN THE OPINION OF THE MULLER LAW GROUP PLLC, BOND COUNSEL, BASED UPON AN ANALYSIS OF EXISTING LAWS, REGULATIONS, RULINGS AND COURT DECISIONS, AND ASSUMING, AMONG OTHER MATTERS, THE ACCURACY OF CERTAIN REPRESENTATIONS AND COMPLIANCE WITH CERTAIN COVENANTS, INTEREST ON THE BONDS IS EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986. IN THE FURTHER OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS NOT A SPECIFIC PREFERENCE ITEM FOR PURPOSES OF THE FEDERAL ALTERNATIVE MINIMUM TAX. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY OTHER TAX CONSEQUENCES RELATED TO THE OWNERSHIP OR DISPOSITION OF, OR THE AMOUNT, ACCRUAL OR RECEIPT OF INTEREST ON, THE BONDS. SEE "TAX MATTERS" HEREIN.

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS."

### NEW ISSUE-Book-Entry Only

**\$5,540,000**

Insured Rating: (BAM) "AA"  
Underlying Rating: S&P "BBB"  
See "MUNICIPAL BOND RATING" and  
MUNICIPAL BOND INSURANCE" herein.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 140**  
*(A political subdivision of the State of Texas located within Fort Bend County)*  
**UNLIMITED TAX REFUNDING BONDS**  
**SERIES 2020**

**Dated: October 15, 2020**

**Due: March 1, as shown below**

Principal of the bonds described above (the "Bonds") is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from October 15, 2020, and is payable each March 1 and September 1, commencing March 1, 2021, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the Registered Owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See "MUNICIPAL BOND INSURANCE" herein.

### MATURITY SCHEDULE

Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2022	\$ 520,000	3.00 %	0.53 %	34681U HZ4	2027	\$ 630,000 (c)	2.00 %	1.23 %	34681U JE9
2023	545,000	3.00	0.64	34681U JA7	2028	640,000 (c)	2.00	1.41	34681U JF6
2024	565,000	3.00	0.78	34681U JB5	2029	660,000 (c)	2.00	1.53	34681U JG4
2025	580,000	3.00	0.94	34681U JC3	2030	675,000 (c)	2.00	1.68	34681U JH2
2026	600,000	3.00	1.05	34681U JD1	2031	125,000 (c)	2.00	1.80	34681U JJ8

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Underwriter (as herein defined) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from October 15, 2020, is to be added to the price.
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Bonds maturing on and after March 1, 2027, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on March 1, 2026, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Fort Bend County Municipal Utility District No. 140 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City of Richmond or any entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas as Underwriter's Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about October 29, 2020.

**SAMCO CAPITAL**

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## USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this OFFICIAL STATEMENT, and, if given or made, such other information or representation must not be relied upon as having been authorized by the District.

This OFFICIAL STATEMENT is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from The Muller Law Group, PLLC, 202 Century Square Boulevard, Sugar Land, Texas 77478 upon payment of the costs of duplication therefor.

This OFFICIAL STATEMENT contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this OFFICIAL STATEMENT nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this OFFICIAL STATEMENT current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this OFFICIAL STATEMENT until delivery of the Bonds to the Underwriter (as herein defined) and thereafter only as specified in "PREPARATION OF THE OFFICIAL STATEMENT—Updating the Official Statement."

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this OFFICIAL STATEMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

## **SALE AND DISTRIBUTION OF THE BONDS**

### **Award of the Bonds**

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$5,766,324.71 (representing the par amount of the Bonds of \$5,540,000.00, plus a premium on the Bonds of \$271,828.20, less an Underwriter’s discount of \$45,503.49) plus accrued interest. The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

The Underwriter has reviewed the information in this OFFICIAL STATEMENT pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

### **Prices and Marketability**

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

### **Securities Laws**

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

## OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this OFFICIAL STATEMENT. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire Official Statement and of the documents summarized or described therein.

### INFECTIOUS DISEASE OUTLOOK (COVID-19)

*General...*

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. As described herein under “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)”, federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District (hereinafter defined). The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of the Pandemic could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District’s financial condition.

### RECENT EXTREME WEATHER EVENTS; HURRICANE HARVEY

*General...*

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

*2016 Flooding...*

Between April and June 2016, severe flooding damaged various areas in the Greater Houston Area including areas along the Brazos River, which include properties within the District. Approximately 36 houses within the District were inundated by flood waters. Such flooded areas, including affected properties within the District, were deemed by the Governor of Texas as disaster areas. See “INVESTMENT CONSIDERATIONS—2016 Flooding.”

*2017 Flooding...*

Based on information reported to the District, approximately 157 homes within the District experienced flooding or other significant damage as a result of Hurricane Harvey. Additionally, there was a temporary loss in sanitary sewer service due to submergence of an electrical panel at the City’s lift station located within the District.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected. See "INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events."

## THE FINANCING

<i>The Issuer...</i>	Fort Bend County Municipal Utility District No. 140 (the "District"), a political subdivision of the State of Texas, is located within the extraterritorial jurisdiction of the City of Richmond, in Fort Bend County, Texas. See "THE DISTRICT."
<i>The Issue...</i>	\$5,540,000 Fort Bend County Municipal Utility District No. 140, Unlimited Tax Refunding Bonds, Series 2020, dated October 15, 2020, are issued pursuant to a resolution (the "Bond Resolution") of the District's Board of Directors. The Bonds will be issued as fully registered bonds maturing serially on March 1 in each of the years 2022 through 2031, both inclusive, in the principal amounts and accruing interest at the rates shown on the cover hereof. Interest on the Bonds will accrue from October 15, 2020 and will be payable March 1 and September 1 of each year commencing March 1, 2021 until maturity or prior redemption and will be calculated on the basis of 360-day year consisting of twelve 30-day months. See "THE BONDS."
<i>Redemption...</i>	The Bonds maturing on and after March 1, 2027 are subject to redemption, in whole or from time to time in part, at the option of the District, prior to their maturity dates, on March 1, 2026, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See "THE BONDS—Redemption Provisions."
<i>Book-Entry-Only...</i>	The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC, which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY- ONLY SYSTEM."
<i>Source of Payment...</i>	The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City of Richmond or any entity other than the District. See "THE BONDS—Source of Payment."
<i>Payment Record...</i>	The District has previously issued six series of unlimited tax bonds, one series of unlimited tax park bonds and three series of unlimited tax refunding bonds, of which an aggregate principal amount of \$20,130,000 remains outstanding as of the date hereof (the "Outstanding Bonds"). The District has never defaulted on the payment and principal and interest on the previously issued bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

<i>Use of Proceeds...</i>	Proceeds from the sale of the Bonds, together with other lawfully available debt service funds, will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund and defease \$5,575,000 of the District's Outstanding Bonds in order to achieve annual and net present value savings in the District's annual debt service expense. The bonds to be refunded and discharged with Bond proceeds are referred to herein as the "Refunded Bonds." After the issuance of the Bonds, \$14,555,000 principal amount of the Outstanding Bonds remains outstanding (the "Remaining Outstanding Bonds") as of the date hereof. See "PLAN OF FINANCING—Refunded Bonds," "—Sources and Uses of Funds" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
<i>Tax Matters...</i>	In the opinion of The Muller Law Group PLLC, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein."
<i>Bond Counsel...</i>	The Muller Law Group, PLLC, Sugar Land, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS," and "TAX MATTERS."
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT."
<i>Underwriter's Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."
<i>Verification Agent...</i>	Public Finance Partners LLC, Rockford, Minnesota. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") will assign a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer"). The Bonds are rated "BBB" by S&P without regard to credit enhancement. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE," and "APPENDIX B."

## THE DISTRICT

<i>Description...</i>	The District is a political subdivision of the State of Texas, created by order of the Texas Commission on Environmental Quality (the “TCEQ”), on July 15, 2003, and operates pursuant to Chapters 49 and 54 of the Texas Water Code. The District contains approximately 371 acres of land. See “THE DISTRICT.”
<i>Location...</i>	The District is located approximately 25 miles southwest of the central downtown business district of the City of Houston and lies wholly within the extraterritorial jurisdiction of the City of Richmond (the “City”) and within the boundaries of the Lamar Consolidated Independent School District. Access to the District is provided by U.S. Highway 59 to U.S. Highway 90A to Farm-to-Market 359, which is the District’s eastern boundary. See “THE DISTRICT.”
<i>Status of Development...</i>	<p>The District has been developed as River’s Edge, a primarily single-family residential development. The residential development in the District includes 847 single-family residential lots on approximately 282 acres. As of August 31, 2020, 840 homes were completed and 7 vacant developed lots were available for home construction. According to the 2020 tax rolls of the District, the average homestead value is approximately \$250,482.</p> <p>In addition to residential development, there are approximately 14 acres of commercial development in the District where two retail centers have been constructed on an aggregate of approximately 6 of the 14 acres: an approximate 18,000 square foot center occupied by a coffee shop, a bakery, a nail spa, a UPS Store, and a pub and an approximate 12,350 square foot retail center occupied by a seafood restaurant and oyster bar, a pub, a hair salon, and a bakery. Additionally, a convenience store and gas station and a gymnastics training facility has been constructed on approximately 3 of the 14 acres and the remaining approximately 5 acres are vacant.</p> <p>Recreational facilities in the District include adult and toddler pools, a playground, a volleyball court, a baseball and soccer field and a community party barn. Approximately 18 developable acres currently within the District have not been provided with water distribution, wastewater collection and storm drainage facilities and approximately 57 acres within the District are not developable (detention ponds, drainage easements, flood plain, parks and open spaces). See “THE DISTRICT.”</p>

## INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special INVESTMENT CONSIDERATIONS and all prospective purchasers are urged to examine carefully this entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”



**SELECTED FINANCIAL INFORMATION (UNAUDITED)**

2020 Taxable Assessed Valuation.....	\$224,041,971	(a)
Gross Direct Debt Outstanding .....	\$20,095,000	(b)
Estimated Overlapping Debt .....	<u>16,512,356</u>	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$36,607,356	
Ratio of Gross Direct Debt to:		
2020 Taxable Assessed Valuation .....	8.97%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2020 Taxable Assessed Valuation.....	16.34%	
Debt Service Fund Balance as of September 15, 2020.....	\$ 780,698	(d)
Operating Funds Available as of September 15, 2020 .....	\$2,468,041	
Capital Projects Funds Available as of September 15, 2020.....	\$2,613,246	
2020 Debt Service Tax Rate.....	\$0.81	
2020 Maintenance Tax Rate.....	<u>0.40</u>	
2020 Total Tax Rate.....	\$1.21	
Average Annual Debt Service Requirement (2021-2038).....	\$1,425,587	(e)
Maximum Annual Debt Service Requirement (2021).....	\$1,806,372	(e)
Tax Rate Required to Pay Average Requirement (2021-2038) at a 95% Collection Rate		
Based upon 2020 Taxable Assessed Valuation.....	\$0.67	(f)
Tax Rate Required to Pay Maximum Requirement (2021) at a 95% Collection Rate		
Based upon 2020 Taxable Assessed Valuation.....	\$0.85	(i)
Status of Development as of August 31, 2020 (g):		
Homes Completed.....	840	
Lots Available for Home Construction .....	7	
Estimated Population .....	2,940	(h)

- (a) The Fort Bend Central Appraisal District (the "Appraisal District") has certified \$221,619,071 of taxable value and an additional \$2,422,900 remains uncertified and subject to review and adjustment prior to certification. The 2020 Taxable Assessed Valuation shown herein is the certified value plus the uncertified value. See "TAXING PROCEDURES."
- (b) After the issuance of the Bonds and the refunding of the Refunded Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
- (c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (d) The District will contribute \$17,000 towards the purpose of the Bonds. Neither Texas law nor the Bond Resolution requires the District to maintain any particular balance in the Debt Service Fund.
- (e) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (f) See "TAX DATA—Tax Adequacy for Debt Service."
- (g) See "THE DISTRICT—Land Use—Status of Development."
- (h) Based upon 3.5 persons per single-family residence.

**OFFICIAL STATEMENT**

**\$5,540,000**

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 140**  
*(A political subdivision of the State of Texas located within Fort Bend County)*

**UNLIMITED TAX REFUNDING BONDS**  
**SERIES 2020**

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 140 (the “District”) of its \$5,540,000 Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), and an election held within the District.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District upon payment of the costs of duplication therefor.

**PLAN OF FINANCING**

**Purpose**

The proceeds of the Bonds, together with other lawfully available debt service funds, are being used to currently refund and redeem a portion of the District’s Unlimited Tax Refunding Bonds, Series 2013 and Unlimited Tax Refunding Bonds, Series 2015, totaling \$5,575,000 (the “Refunded Bonds”) in order to achieve a net savings in the District’s debt service expense. See “Refunded Bonds” herein. The proceeds will also be used to pay the costs of issuance of the Bonds. See “Sources and Uses of Funds” herein. A total of \$14,555,000 in principal amount of the Outstanding Bonds remains outstanding after the issuance of the Bonds (the “Remaining Outstanding Bonds”). See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”

**Refunded Bonds**

Proceeds of the Bonds, together with other lawfully available debt service funds, if any, will be applied to currently refund and defease the Refunded Bonds in the principal amounts and with maturity dates set forth below and to pay certain costs of issuing the Bonds.

Maturity Date September 1	Series 2013	Series 2015
2022	\$ 105,000	\$ 415,000
2023	110,000	430,000
2024	115,000	445,000
2025	115,000	460,000
2026	120,000	475,000
2027	130,000	495,000
2028	135,000	510,000
2029	140,000	530,000
2030	145,000	545,000
2031	155,000	-
	<b>\$ 1,270,000</b>	<b>\$ 4,305,000</b>

Redemption Date: November 3, 2020 November 3, 2020

**Sources and Uses of Funds**

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, together with other lawfully available debt service funds, will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds .....	\$5,540,000.00
Plus: Premium on the Bonds.....	271,828.20
Plus: Transfer from Debt Service Fund .....	17,000.00
Total Sources of Funds.....	<u>\$5,828,828.20</u>
Uses of Funds:	
Cash Deposit to Payment Accounts.....	\$5,604,110.61
Issuance Expenses and Underwriters' Discount (a).....	224,717.59
Total Uses of Funds .....	<u>\$5,828,828.20</u>

(a) Includes municipal bond insurance premium.

**Payment of the Refunded Bonds**

The Refunded Bonds, and the interest due thereon, are to be paid on the redemption date from funds to be deposited with Wells Fargo Bank, Minneapolis, Minnesota, as paying agent for the Series 2013 Bonds (the "Paying Agent for the Series 2013 Refunded Bonds") and Regions Bank, Houston Texas, as paying agent for the Series 2015 Bonds (the "Paying Agent for the Series 2015 Refunded Bonds").

The Bond Resolution provides that from the proceeds of the sale of the Bonds, the District will deposit with the Paying Agent for the Series 2013 Refunded Bonds and Paying Agent for the Series 2015 Refunded Bonds (collectively, the "Paying Agents for the Refunded Bonds") the amounts necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Paying Agents for the Refunded Bonds in segregated payment accounts (the "Payment Accounts"). By the deposit of the cash with the Paying Agents for the Refunded Bonds and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolutions of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of amounts deposited, and the amounts so deposited in the Payment Accounts will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

**THE BONDS**

**Description**

The Bonds will be dated October 15, 2020, and mature on March 1 in each of the years and in the principal amounts shown on the cover page hereof. Interest will accrue from October 15, 2020, at the rates per annum shown on the cover hereof, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1 of each year, commencing March 1, 2021 until the earlier of maturity or redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas (the "Paying Agent/Registrar," "Paying Agent," or "Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM".

In the event the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

**Authority for Issuance**

At a bond election held within the District on September 13, 2003, the voters of the District authorized the issuance of a total of \$35,500,000 principal amount of unlimited tax bonds for the purposes of refunding outstanding bonds and the Bonds are being issued pursuant to such authorization. See "Issuance of Additional Debt" herein.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and Chapter 1207 Texas Government Code, as amended. Before the Bonds can be issued, the Attorney General of Texas must pass on the legality of certain related matters.

The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement. See “LEGAL MATTERS—Legal Proceedings.”

### **Source of Payment**

The Bonds (together with the Remaining Outstanding Bonds and such additional tax bonds as may hereafter be issued by the District) are payable from and secured by a pledge of the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See “TAXING PROCEDURES.” The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds.

The Bonds are obligations of the District and are not obligations of the State of Texas, Fort Bend County, the City of Richmond (the “City”), or any entity other than the District.

### **Funds**

In the Bond Resolution, the Debt Service Fund is confirmed, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Resolution shall be deposited, as collected, in such fund. Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt.

### **Transfer, Exchange and Registration**

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Registrar only upon presentation and surrender thereof to the Registrar or its principal payment office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. A new Bond or Bonds will be delivered by the Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See “BOOK-ENTRY-ONLY SYSTEM” herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner's income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.” So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

### **Method of Payment of Principal and Interest**

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A., Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the “Record Date”), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the “Register”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

## **No Arbitrage**

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates then known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be “arbitrage bonds” under the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Resolution that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

## **Redemption Provisions**

The District reserves the right, at its option, to redeem the Bonds maturing on and after March 1, 2027 prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000, on March 1, 2026, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If fewer than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if fewer than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

## **Lost, Stolen or Destroyed Bonds**

In the event the book-entry-only system is discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, stolen or destroyed, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding. Registered Owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

## **Replacement of Paying Agent/Registrar**

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

## **Issuance of Additional Debt**

The District's voters have authorized the issuance of an aggregate of \$27,500,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, wastewater and/or storm drainage facilities, \$8,000,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing parks and recreational facilities and \$35,500,000 principal amount of unlimited tax bonds for refunding outstanding bonds and could authorize additional amounts. The District currently has \$2,390,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, wastewater and/or storm drainage facilities authorized but unissued and \$6,175,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing parks and recreational facilities. After the issuance of the Bonds, the District will have \$35,055,000 principal amount of unlimited tax bonds for the purpose of refunding outstanding bonds authorized but unissued. See "THE SYSTEM—Texas Flood Infrastructure Fund Application – Proposed Regional Levee Project," "INVESTMENT CONSIDERATIONS— Texas Flood Infrastructure Fund Application – Proposed Regional Levee Project" and "—Future Debt."

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain parks and recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support parks and recreational facilities. On September 13, 2003, the voters of the District authorized the issuance of \$8,000,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing parks and recreational facilities. The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of parks and recreational facilities if (i) the bonds payable from any source do not exceed one percent (1%) of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated cost of the park plan, whichever amount is smaller; (ii) the District obtains any necessary governmental consents allowing the issuance of such bonds; and (iii) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. The issuance of such bonds is subject to rules and regulations adopted by the TCEQ. Current law may be changed in a manner to increase the amount of bonds as related to a percentage of the value of taxable property. The levy of taxes for such purposes may dilute the security for the Bonds.

The District is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The voters of the District approved the District's fire plan at an election on September 13, 2003, after the TCEQ approved District's fire plan on July 15, 2003. The fire plan does not contemplate the issuance of bonds.

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the TCEQ for "road powers" or calling such an election at this time.

Issuance of additional bonds could dilute the investment security for the Bonds.

## **Annexation by the City of Richmond**

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Richmond, the District must conform to a City of Richmond ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Richmond without the District's consent, but subject to the terms of the strategic partnership agreement described below under "Strategic Partnership." If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District within one hundred twenty (120) days. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City of Richmond, and therefore, the District makes no representation that the City of Richmond will ever annex the District and assume its debt, nor does the District make any representation concerning the ability of the City of Richmond to pay debt service on the District's bonds if annexation were to occur.

## **Strategic Partnership**

The District has entered into a revised and restated strategic partnership agreement with the City of Richmond to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to be annexed for full or limited purposes by the City of Richmond. The agreement provides that the City of Richmond will not annex the District for full purposes until ninety percent (90%) of the District's water, sewer and drainage facilities have been constructed and the developer is reimbursed by the District to the maximum extent allowed by TCEQ rules or the City assumes the District's obligations for such reimbursement. The agreement also provides that the City may annex for limited purposes any commercial land in the District at any time after initial development and occupancy of such tract, which would subject such annexed tract to the City's sales tax, and that the tracts annexed for limited purposes would remain in the District and subject to the District's authority to tax and charge for District services.

## **Consolidation**

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, and its liabilities (such as the Bonds) with the assets and liabilities of districts with which it is consolidating. No representation is made concerning the likelihood of consolidation.

## **Remedies in Event of Default**

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

## **Legal Investment and Eligibility to Secure Public Funds in Texas**

The following is quoted from Section 49.186 of the Texas Water Code, and is applicable to the District:

“(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.”

“(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.”

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which might apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

## **Defeasance**

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Upon such deposit as described above, such bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Resolution does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investment quality as currently permitted under Texas law.

## **BOOK-ENTRY-ONLY SYSTEM**

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation of ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned



by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of “AA+” from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Principal, premium, if any, interest payments and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

## **THE DISTRICT**

### **General**

The District is a municipal utility district created by an order of the TCEQ dated July 15, 2003, after a hearing on a petition for creation submitted by the developer. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water as well as to construct recreational facilities. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts. Additionally, the District may, subject to certain limitations, develop and finance roads. See “THE BONDS—Issuance of Additional Debt.”

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for creation from the City of Richmond, within whose extraterritorial jurisdiction the District lies, the District is required to observe certain requirements of the City which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, drainage facilities and recreational facilities; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans; and permit connections only to lots and commercial or multi-family reserves described in plats which have been approved by the Planning Commission of the City and recorded in the real property records. Construction and operation of the District’s system is subject to the regulatory jurisdiction of additional governmental agencies. See “THE SYSTEM—Regulation.”

### **Description and Location**

The District contains approximately 371 acres of land. The District is located approximately 25 miles southwest of the central downtown business district of the City of Houston and lies wholly within the extraterritorial jurisdiction of the City of Richmond and within the boundaries of the Lamar Consolidated Independent School District. Access to the District is provided by U.S. Highway 59 to U.S. Highway 90A to Farm-to-Market 359, which is the District’s eastern boundary.

**Land Use**

The District currently includes approximately 282 developed acres of single-family residential development (847 lots), approximately 14 acres of commercial property served by trunkline water, sewer and drainage facilities (of which approximately 6 acres has been developed as two retail strip centers, approximately 3 acres has been developed as a gymnastics training facility and convenience store and gas station and approximately 5 acres are vacant), approximately 18 developable acres currently within the District not provided with water distribution, wastewater collection and storm drainage facilities and approximately 57 undevelopable acres (detention ponds, drainage easements, flood plain, parks and open spaces). The table herein represents a detailed breakdown of the current acreage and development in the District.

<u>Single Family Residential</u>	Approximate	
	Acres	Lots
River's Edge		
Section One.....	58	200
Section Two.....	18	21
Section Three.....	9	34
Section Four.....	11	39
Section Five.....	20	72
Section Six.....	24	97
Section Seven.....	2	8
Section Ten.....	11	36
Section Eleven.....	11	27
Section Twelve.....	4	16
Section Thirteen.....	11	47
Section Fifteen-A.....	19	65
Section Fifteen-B.....	49	78
Section Sixteen.....	14	52
Section Seventeen.....	21	55
Subtotal.....	282	847
<i>Commercial</i> .....	14	--
<i>Future Development</i> .....	18	--
<i>Non-Developable (a)</i> .....	57	--
Totals.....	371	847

(a) Includes public rights-of-way, detention, open spaces, easements, utility sites and recreation sites.

**Status of Development**

Residential: The District has been developed as River’s Edge, a primarily single-family residential development. The residential development in the District includes 847 single-family residential lots on approximately 282 acres. As of August 31, 2020, 840 homes were completed and 7 vacant developed lots were available for home construction. According to the 2020 tax rolls of the District, the average homestead value is approximately \$250,482. See “Land Use” herein.

Recreational facilities available to residents include adult and toddler pools, a playground, a volleyball court, a baseball and soccer field and a community party barn. There are also two amenity lakes.

Commercial: In addition to residential development, there are approximately 14 acres of commercial development in the District where two retail centers have been constructed on an aggregate of approximately 6 of the 14 acres: an approximate 18,000 square foot center occupied by a coffee shop, a bakery, a nail spa, a UPS Store, and a pub and an approximate 12,350 square foot retail center occupied by a seafood restaurant and oyster bar, a pub, a hair salon, and a bakery. Additionally, a convenience store and gas station and a gymnastics training facility has been constructed on approximately 3 of the 14 acres and the remaining approximately 5 acres are vacant.

## **Water Supply and Wastewater Services Contract with the City of Richmond**

Under the Amended and Restated Water Supply and Wastewater Services Contract between the City of Richmond, Texas (the “City”), and the District dated July 1, 2004 as amended on September 19, 2005, June 7, 2006, June 16, 2007 and July 14, 2011, the City agreed to provide the District with water sufficient to meet the District’s needs up to four hundred thirty-two thousand two hundred fifty (432,250) gallons per day of water (990 equivalent single-family connections). The City’s obligation to provide water continues for the term of the contract, explained further below. The City of Richmond facilities are adequate to provide water supply to the District through full build out. Pursuant to the agreement, the District participated in the construction and financing of a new City water plant, and the District has reserved capacity in such plant in the amount of 432,250 gallons per day. The City’s water plant, has been constructed and the District funded its share from proceeds of the Outstanding Bonds. To date, the District has paid impact fees for wastewater treatment plant capacity for 901 connections. The City is obligated to provide wastewater treatment in the amounts secured by payment of the impact fees. The Water and Wastewater Contract has an initial forty-year term that that expires June 30, 2044, which term automatically renews for consecutive one-year terms unless terminated by either party.

## **MANAGEMENT OF THE DISTRICT**

### **Board of Directors**

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms and elections are held in May in even numbered years only. All of the Board members reside within the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
David Smith	President	May 2022
Gene Tomas	Vice President	May 2022
Barry Waites	Assistant Vice President	May 2024
Feryal Abdulkader	Secretary	May 2024
Stanley Lopez	Assistant Secretary	May 2022

### **District Consultants**

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

Bond Counsel/Attorney: The District has engaged The Muller Law Group, PLLC, as general counsel to the District and as Bond Counsel in connection with the issuance of the District’s bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on a combination of a fixed fee and hourly rates actually incurred. See “LEGAL MATTERS” and “TAX MATTERS.”

Financial Advisor: Masterson Advisors LLC serves as the District’s Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Auditor: The District’s financial statements for the fiscal year ending July 31, 2019, were audited by McGrath & Co., PLLC, Certified Public Accountants and are included in “APPENDIX A.” The District has engaged McGrath & Co., PLLC to audit its financial statements for the fiscal year ending July 31, 2020.

Engineer: The District’s consulting engineer is Costello, Inc.

Tax Appraisal: The Fort Bend Central Appraisal District has the responsibility of appraising all property within the District. See “TAXING PROCEDURES.”

Tax Assessor/Collector: The District has retained an independent tax assessor/collector to perform the tax collection function. Utility Tax Service, LLC (the “Tax Assessor/Collector”) has been employed by the District to serve in this capacity.

Bookkeeper: The District has contracted with McLennan & Associates, L.P. (the “Bookkeeper”) for bookkeeping services.

Utility System Operator: The City of Richmond operates the District’s internal water and wastewater system.

## THE SYSTEM

### **Regulation**

Construction and operation of the District's water, wastewater and storm drainage system as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Fort Bend County Drainage District. Fort Bend County, the City of Richmond, and the Texas Department of Health also exercise regulatory jurisdiction over the District's system.

### **Water Supply**

Water supply for the District is provided by the City of Richmond through water facilities that includes six water wells with 8,057 gallons per minute ("gpm") of capacity, 4,410,000 gallon ground storage tanks, 1,010,000 gallon elevated storage tanks and 15,620 gpm of booster pump capacity. These services are provided pursuant to the Amended and Restated Water Supply and Wastewater Services Contract between the City and the District. See "THE DISTRICT—Water Supply and Wastewater Services Contract with the City." Pursuant to such agreement, the District participated in the construction and financing of a new City water plant, and the District has reserved capacity in such plant in the amount of 432,250 gallons per day. The City of Richmond facilities are adequate to provide water supply to the District through full build-out of the District.

### **Subsidence and Conversion to Surface Water Supply**

The District obtains its water supply from the City of Richmond. The City of Richmond's authority to pump groundwater is subject to an annual permit issued by the Fort Bend Subsidence District (the "Subsidence District"). The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the City of Richmond and the District.

The Subsidence District's regulations require the City of Richmond, individually or collectively with other water users, to: (i) prepare a groundwater reduction plan ("GRP") and obtain certification of the GRP from the Subsidence District by the applicable water well permit expiration date in the year 2010; (ii) limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the GRP, beginning January 2016; and (iii) limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the GRP, beginning January 2025. The City's GRP, in which the District is a participant, was submitted timely and has been certified by the Subsidence District.

If the GRP participants fail to comply with the above Subsidence District regulations, the GRP participants will be subject to a \$6.50 per 1,000 gallons disincentive fee penalty imposed by the Subsidence District for any groundwater withdrawn in excess of 40% of the total annual water demand. If the District failed to comply with surface water conversion requirements mandated by the City as administrator of the GRP, the District would be subject to monetary or other penalties imposed by the City.

The City of Richmond has, for the benefit of the GRP participants, including the District, constructed a two million gallon per day regional surface water treatment plant. The District currently funds its share of surface water improvements and other costs related to the operation of the GRP through surface water fees charged by the City of Richmond, in its role as administrator of the GRP. The District then passes these costs on to its customers as a charge on their water and sewer bills. The current surface water fee is \$2.42 per 1,000 gallons of supplied water, subject to change by the City.

### **Wastewater Treatment**

The District's wastewater is treated by the City of Richmond through a 1,500,000 gallon per day ("gpd") wastewater treatment plant. These services are provided pursuant to the Amended and Restated Water Supply and Wastewater Services Contract between the City and the District. See "THE DISTRICT—Water Supply and Wastewater Services Contract with the City." The District has purchased capacity in the City of Richmond's wastewater treatment plant facilities through payment of impact fees. To date, the District has purchased impact fees for 901 connections. The City of Richmond's wastewater treatment facilities are adequate to serve the District through full build-out. The City is obligated to provide wastewater treatment in the amounts secured by payment of the impact fees.

### **Water Distribution, Wastewater Collection and Storm Drainage Facilities**

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 847 single-family residential lots and 14 acres of commercial reserves. See "THE DISTRICT—Land Use."

## **100-Year Flood Plain**

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain is depicted on these maps. The 100-year flood plain, as shown on the FIRM, is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, improvements are built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that improvements built in such area will not be flooded. The District’s drainage system has been designed and constructed to the City and County’s design regulations at the time they were developed. See “INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey.”

The Federal Emergency Management Agency (“FEMA”) commissioned a study to reevaluate the “base flood elevation” (commonly referred to as the 100-year flood plain elevation) in Fort Bend County in 2006 and the revised FIRM’s became the “effective” flood rate maps of Fort Bend County on April 2, 2014. The effective FIRM’s (Panel Nos. 48157CO235L and 48157CO255L, dated April 2, 2014) indicate that 267 acres consisting of 528 lots within the District lie within the 100-year flood plain. Approximately 104 acres consisting of approximately 319 lots comprising River’s Edge Sections Thirteen, Fifteen-A, Fifteen-B, Sixteen and a portion of Section Seventeen are located outside the 100-year flood plain. A Letter of Map Revision was approved by FEMA on August 4, 2016, to remove the remaining portion of River’s Edge, Section Seventeen from the 100-year flood plain. Homeowners of existing houses and lots that are deemed to be within the existing 100-year flood plain may be required to purchase flood insurance. Additionally, Fort Bend County requires all slabs on new houses and commercial buildings to be constructed a minimum of 18-inches above the 100-year flood plain elevation. See “THE SYSTEM—100-Year Flood Plain.”

The District expended a portion of the proceeds from the Series 2018 Bonds to construct various drainage and flood protection improvements identified as a result of Hurricane Harvey. The District completed the FBCMUD 140 (DRS) / Flood Protection Berm project on August 10, 2020 which consisted of a flood protection berm just north of the District and storm sewer outfall to the Brazos River. The District completed the TxDOT Sluice Gate installation project on FM 359 on October 29, 2019. This project included installing a sluice gate on an outfall north of the District that can be closed during high water events on Jones Creek and the Brazos River to prevent overflow that can impact MUD 140. The Rio Vista berm was completed on June 14, 2018. This is part of the flood protection berm north of the District. The FBCMUD 140 South Drainage / Flood Protection Berm is in the design phase and expected to start this year.

## **Atlas 14**

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. See “INVESTMENT CONSIDERATIONS—Atlas 14.”

## **2016 Flooding**

Between April and June 2016, severe flooding damaged various areas in the Greater Houston Area including areas along the Brazos River, which include properties within the District. Approximately 36 houses within the District were inundated by flood waters. Such flooded areas, including affected properties within the District, were deemed by the Governor of Texas as disaster areas.

## **2017 Flooding**

Based on information reported to the District, approximately 157 homes within the District experienced flooding or other significant damage as a result of Hurricane Harvey. Additionally, there was a temporary loss in sanitary sewer service due to submergence of an electrical panel at the City’s lift station located within the District.

## **Texas Flood Infrastructure Fund Application – Proposed Regional Levee Project**

In 2019, the 86th Texas Legislature passed several bills, including Senate Bill 7, entrusting the Texas Water Development Board (“TWDB”) with new responsibilities related to funding flood mitigation projects and planning for future flood events. On November 5, 2019, Texas voters approved Proposition 8, a constitutional amendment providing for the creation of the Flood Infrastructure Fund (“FIF”) to assist in the financing of drainage, flood mitigation, and flood control projects. In early 2020, TWDB began accepting applications for financial assistance in the form of loans and grants for flood control, flood mitigation, and drainage projects. The application process is being administered in two phases, with abridged applications for assistance having been due by June 15, 2020, and full applications being due by October 19, 2020. Applicants were scored and ranked by the TWDB on the basis of their abridged application, and only a select group of applicants have been invited to submit full applications for financial assistance.

The District submitted its abridged application on June 11, 2020, for financial assistance to design and construct a regional levee project to provide flood protection to the District and adjacent communities. On September 17, 2020, the TWDB approved its Flood Intended Use Plan and a prioritization list of projects for possible funding. Based on the approved prioritization list, the District has been invited to apply for a loan of up to \$22,000,000. On September 29, 2020, the District’s board of directors voted to submit the full application which will be due by October 19, 2020. The District is not obligated to borrow the money by virtue of submitting the application and would not be required to borrow all of the \$22,000,000 were the application to be approved by the TWDB. An agreement would ultimately be entered into between the TWDB and the District regarding the terms of the financing. At this time, it is anticipated that the financing would be structured as a no interest loan repaid over a period of up to 30 years. Furthermore, for the financing and projects to come to fruition, a successful bond election would be required, as well as regulatory approvals from several governmental entities, including Fort Bend County, the City of Richmond, and the U.S. Army Corps of Engineers. Were the District ultimately able to secure the loan funding and were to draw significantly on those funds, there could be likely be a significant increase in the District’s tax rate and a negative impact on the District’s credit rating.

## FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2020 Taxable Assessed Valuation.....	\$224,041,971	(a)
Gross Direct Debt Outstanding (the Remaining Outstanding Bonds and the Bonds) .....	\$20,095,000	(b)
Estimated Overlapping Debt .....	<u>16,512,356</u>	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$36,607,356	
Ratio of Gross Direct Debt to:		
2020 Taxable Assessed Valuation.....	8.97%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2020 Taxable Assessed Valuation.....	16.34%	
Debt Service Fund Balance as of September 15, 2020.....	\$ 780,698	(d)
Operating Funds Available as of September 15, 2020 .....	\$2,468,041	
Capital Projects Funds Available as of September 15, 2020.....	\$2,613,246	

- (a) The Fort Bend Central Appraisal District (the “Appraisal District”) has certified \$221,619,071 of taxable value and an additional \$2,422,900 remains uncertified and subject to review and adjustment prior to certification. The 2020 Taxable Assessed Valuation shown herein is the certified value plus the uncertified value. See “TAXING PROCEDURES.”
- (b) After the issuance of the Bonds and the refunding of the Refunded Bonds. See “Outstanding Bonds” herein.
- (c) See “Estimated Overlapping Debt” herein.
- (d) The District will contribute \$17,000 towards the purpose of the Bonds. Neither Texas law nor the Bond Resolution requires the District to maintain any particular balance in the Debt Service Fund.

### Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (“Public Funds Investment Act”). The District’s goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. In compliance with the Public Funds Investment Act, funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation (“FDIC”) or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the District portfolio.

### Outstanding Bonds

The following table lists the original principal amount of Outstanding Bonds, and the principal balance of the Outstanding Bonds and the Remaining Outstanding Bonds.

Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds	Remaining Outstanding Bonds
2006	\$ 2,250,000	\$ -	\$ -	\$ -
2007	4,620,000	-	-	-
2007A	4,500,000	-	-	-
2011	2,370,000	100,000	-	100,000
2013 (a)	2,000,000	1,375,000	1,270,000	105,000
2015 (a)	4,920,000	4,520,000	4,305,000	215,000
2016	5,700,000	4,500,000	-	4,500,000
2016A (b)	1,825,000	1,500,000	-	1,500,000
2017 (a)	3,210,000	2,815,000	-	2,815,000
2018	<u>5,670,000</u>	<u>5,320,000</u>	<u>-</u>	<u>5,320,000</u>
Total	\$ 37,065,000	\$ 20,130,000	\$ 5,575,000	\$ 14,555,000
The Bonds				<u>5,540,000</u>
The Bonds and Remaining Outstanding Bonds				\$ 20,095,000

- (a) Unlimited tax refunding bonds.  
(b) Unlimited tax park bonds.



**Debt Service Requirements**

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$5,575,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Less: Debt Service on the Refunded Bonds	Plus: Debt Service on the Bonds			Total Debt Service Requirements
			Principal	Interest	Total	
2021	\$ 1,853,477.50	\$ 169,028.75	\$ -	\$ 121,923.33	\$ 121,923.33	\$ 1,806,372.08
2022	1,835,353.75	689,028.75	520,000	131,100.00	651,100.00	1,797,425.00
2023	1,817,917.50	693,892.50	545,000	115,125.00	660,125.00	1,784,150.00
2024	1,794,895.00	698,170.00	565,000	98,475.00	663,475.00	1,760,200.00
2025	1,769,398.75	696,573.75	580,000	81,300.00	661,300.00	1,734,125.00
2026	1,750,928.75	699,553.75	600,000	63,600.00	663,600.00	1,714,975.00
2027	1,741,560.00	711,635.00	630,000	48,300.00	678,300.00	1,708,225.00
2028	1,721,251.25	712,776.25	640,000	35,600.00	675,600.00	1,684,075.00
2029	1,699,775.00	717,968.75	660,000	22,600.00	682,600.00	1,664,406.25
2030	1,677,515.00	717,396.25	675,000	9,250.00	684,250.00	1,644,368.75
2031	1,669,631.25	161,200.00	125,000	1,250.00	126,250.00	1,634,681.25
2032	1,597,462.50	-	-	-	-	1,597,462.50
2033	1,226,525.00	-	-	-	-	1,226,525.00
2034	1,184,312.50	-	-	-	-	1,184,312.50
2035	1,026,787.50	-	-	-	-	1,026,787.50
2036	583,406.25	-	-	-	-	583,406.25
2037	564,375.00	-	-	-	-	564,375.00
2038	544,687.50	-	-	-	-	544,687.50
Total	\$ 26,059,260.00	\$ 6,667,223.75	\$ 5,540,000	\$ 728,523.33	\$ 6,268,523.33	\$ 25,660,559.58

Maximum Annual Debt Service Requirement (2021).....\$1,806,372  
Average Annual Debt Service Requirement (2021-2038).....\$1,425,587

**Estimated Overlapping Debt**

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Fort Bend County.....	\$ 676,674,527	8/31/2020	0.29%	\$ 1,962,356
Lamar CISD.....	1,164,000,000	8/31/2020	1.25%	14,550,000
Total Estimated Overlapping Debt.....				\$ 16,512,356
The District's Total Direct Debt (a).....				20,095,000
Total Direct and Estimated Overlapping Debt.....				\$ 36,607,356
Ratio of Direct and Estimated Overlapping Debt to 2020 Taxable Assessed Valuation.....				16.34%

(a) The Bonds and the Remaining Outstanding Bonds.

**Overlapping Taxes**

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see "Estimated Overlapping Debt" above), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2020 tax year by all taxing jurisdictions overlapping the District and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	2020 Tax Rate Per \$100 Taxable Assessed Valuation
Fort Bend County (a).....	\$ 0.45321
Lamar Consolidated Independent School District.....	1.26910
Total Overlapping Tax Rate.....	\$ 1.72231
The District (b).....	1.21000
Total Tax Rate.....	\$ 2.93231

(a) Includes Fort Bend County Drainage District.  
 (b) See "TAX DATA—Historical Tax Rate Distribution."

## Water and Wastewater Operations

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ended July 31, 2016 through 2019, and an unaudited summary as of July 31, 2020, provided by the District's Bookkeeper. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year Ended July 31				
	2020 (a) (Unaudited)	2019	2018	2017	2016
<b>Revenues:</b>					
Water Service	\$ 376,903	\$ 356,553	\$ 376,770	\$ 361,693	\$ 316,414
Sewer Service	320,940	328,763	324,428	305,489	257,149
Property Taxes	813,328	569,153	873,515	620,096	735,974
Penalites and Interest	16,997	39,604	6,777	883	28,972
Reimbursement From City of Richmond	-	258,447	-	-	-
Garbage Service	230,138	302,358	198,523	187,191	156,513
Tap Connection and Inspection	9,920	53,505	130,873	115,729	187,563
Fire Protection	275,231	289,488	256,741	243,300	208,148
Groundwater Reduction Plan	385,014	177,223	167,411	155,978	132,249
Miscellaneous	5,635	5,650	5,805	3,500	2,310
Investment Earnings	24,096	48,415	29,430	10,149	3,590
<b>Total Revenues</b>	<b>\$ 2,458,202</b>	<b>\$ 2,429,159</b>	<b>\$ 2,370,273</b>	<b>\$ 2,004,008</b>	<b>\$ 2,028,882</b>
<b>Expenditures:</b>					
<b>Current Service Operations</b>					
Purchased Services	\$ 516,278	\$ 494,815	\$ 649,029	\$ 629,874	\$ 554,938
Professional Fees	508,903	426,775	480,543	185,356	143,749
Contracted Services	621,286	677,679	574,060	528,042	510,999
Repairs and Maintenance	134,005	138,063	137,948	138,910	174,324
Groundwater Reduction Plan	377,335	169,815	167,313	161,925	158,615
Utilities	11,805	7,266	7,771	7,794	7,483
Administrative	38,900	45,757	40,553	41,176	37,158
Other	17,553	12,774	40,834	4,535	1,565
Capital Outlay	-	114,059	-	83,179	-
<b>Total Expenditures</b>	<b>\$ 2,226,065</b>	<b>\$ 2,087,003</b>	<b>\$ 2,098,051</b>	<b>\$ 1,780,791</b>	<b>\$ 1,588,831</b>
<b>NET REVENUES</b>	<b>\$ 232,137</b>	<b>\$ 342,156</b>	<b>\$ 272,222</b>	<b>\$ 223,217</b>	<b>\$ 440,051</b>
<b>General Operating Fund</b>					
Balance (Beginning of Year)	\$ 2,656,815	\$ 2,314,659	\$ 2,042,437	\$ 1,819,220	\$ 1,379,169
<b>General Operating Fund</b>					
Balance (End of Year)	\$ 2,888,952	\$ 2,656,815	\$ 2,314,659	\$ 2,042,437	\$ 1,819,220

(a) Unaudited. Provided by the District's Bookkeeper.

## TAX DATA

### Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See “—Historical Tax Rate Distribution” and “—Tax Roll Information” below, “INVESTMENT CONSIDERATIONS—Factors Affecting Taxable Values and Tax Payments,” and “TAXING PROCEDURES.”

### Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted September 13, 2003, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 taxable assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.”

### Historical Tax Rate Distribution

	2020	2019	2018	2017	2016
Debt Service	\$ 0.81	\$ 0.83	\$ 0.94	\$ 0.75	\$ 0.89
Maintenance and Operations	0.40	0.39	0.31	0.50	0.36
Total	\$ 1.21	\$ 1.22	\$ 1.25	\$ 1.25	\$ 1.25

### Exemptions

As discussed in the section titled “TAXING PROCEDURES” herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation. For 2020, the District has exempted \$5,000 of the appraised value of resident homesteads for persons who are disabled or 65 years of age or older.

### Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Property Tax Code.

### Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District’s Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See “Tax Roll Information” below.

	Certified Taxable		Total (b) Tax Levy	Total Collections as of August 31, 2020 (c)	
	Assessed Valuation (a)	Tax Rate		Amount	Percent
2015	\$ 133,809,380	\$ 1.25	\$ 1,672,617	\$ 1,671,913	99.96%
2016	171,435,218	1.25	2,142,940	2,142,586	99.98%
2017	185,191,363	1.25	2,314,892	2,311,185	99.84%
2018	184,199,281	1.25	2,302,491	2,296,344	99.73%
2019	212,202,121	1.22	2,588,866	2,560,058	98.89%
2020	224,041,971	1.21	2,710,908	(d)	(d)

- (a) Net valuation represents final gross appraised value as certified by the Appraisal Districts less any exemptions granted. See “Tax Roll Information” herein for gross appraised value and exemptions granted by the District.
- (b) Represents actual tax levy, including any adjustments by the Appraisal Districts, as of the date hereof.
- (c) Unaudited.

**Tax Roll Information**

The District’s assessed value as of January 1 of each year is used by the District in establishing its tax rate (see “TAXING PROCEDURES—Valuation of Property for Taxation”). The following represents the composition of property comprising the 2016 through 2020 Taxable Assessed Valuations. Breakdowns of the uncertified portion (\$2,422,900) of the 2020 Taxable Assessed Valuation of \$224,041,971 is not available. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

Tax Year	Type of Property			Gross Assessed Valuations	Deferments and Exemptions	Uncertified Value	Taxable Assessed Valuation
	Land	Improvements	Personal Property				
2016	\$ 34,071,770	\$ 138,962,060	\$ 1,433,800	\$ 174,467,630	\$ (3,032,412)	\$ -	\$ 171,435,218
2017	33,667,220	159,555,060	1,546,190	194,768,470	(9,577,107)	-	185,191,363
2018	34,721,070	151,541,310	1,462,370	187,724,750	(3,525,469)	-	184,199,281
2019	37,399,740	177,564,289	1,616,120	216,580,149	(4,378,028)	-	212,202,121
2020	37,009,180	187,210,011	1,862,520	226,081,711	(4,462,640)	2,422,900	224,041,971

**Principal Taxpayers**

The following table represents the ten principal taxpayers, the taxable assessed value of such property, and such property’s taxable assessed valuation as a percentage of the certified portion (\$221,619,071) of the 2020 Taxable Assessed Valuation of \$224,041,971. This represents ownership as of January 1, 2020. A principal taxpayer list related to the uncertified portion (\$2,422,900) of the 2020 Taxable Assessed Valuation is not available.

Taxpayer	2020 Certified Taxable Assessed Valuation	% of 2020 Certified Taxable Assessed Valuation
Malfridge Ronald P JR Trust	\$ 3,016,320	1.36%
River's Edge Properties LLC	1,936,390	0.87%
Rivertrace Properties LLC	1,633,484	0.74%
Richmond 90A LLC	1,207,580	0.54%
Better & Better Inc.	953,340	0.43%
Centerpoint Energy Electric	619,920	0.28%
Rivertrace Retail LLC	600,000	0.27%
Lorb Holdings LLC	536,380	0.24%
KBJV Investment LLC	488,340	0.22%
Individual	454,060	0.20%
Total of Principal Taxpayers	\$ 11,445,814	5.16%

**Tax Adequacy for Debt Service**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District’s tax base occurred beyond the 2020 Taxable Assessed Valuation of \$224,041,971 (\$221,619,071 of certified value plus \$2,422,900 of uncertified value). The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Remaining Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”

Average Annual Debt Service Requirement (2021-2038) .....	\$1,425,587
\$0.67 Tax Rate on the 2020 Taxable Assessed Valuation .....	\$1,426,027
Maximum Annual Debt Service Requirement (2021).....	\$1,806,372
\$0.85 Tax Rate on the 2020 Taxable Assessed Valuation .....	\$1,809,139

No representation or suggestion is made that the uncertified portion of the 2020 Taxable Assessed Valuation provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

## TAXING PROCEDURES

### **Authority to Levy Taxes**

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Remaining Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS—Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under “THE BONDS—Source of Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations. See “TAX DATA—Debt Service Tax” and “—Maintenance Tax.”

### **Property Tax Code and County-Wide Appraisal District**

The Texas Property Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district, with the responsibility for recording and appraising property for all taxing units within a county, and an appraisal review board, with responsibility for reviewing and equalizing the values established by the appraisal district. The Fort Bend Central Appraisal District (the “Appraisal District”) has the responsibility for appraising property for all taxing units within Fort Bend County, including the District. Such appraisal values are subject to review and change by the Fort Bend Central Appraisal Review Board (the “Appraisal Review Board”).

### **Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt certain residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. For the 2020 tax year, the Board of the District granted a \$5,000 tax exemption on residential homesteads for persons 65 years of age or older or disabled. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District’s preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran’s residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran, or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See “TAX DATA.”

*Residential Homestead Exemptions:* The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by June 30. The District has granted a \$5,000 tax exemption on residential homesteads for persons 65 years of age or older or disabled for the 2020 tax year. See "TAX DATA."

*Freeport Goods Exemption:* A "Freeport Exemption" applies to goods, wares, ores and merchandise other than oil, gas and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

### **Tax Abatement**

Fort Bend County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Fort Bend County, the City and the District, under certain circumstances, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

### **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

### **District and Taxpayer Remedies**

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

### **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. However, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.



## **Rollback of Operation and Maintenance Tax Rate**

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

*Special Taxing Units:* Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

*Developed Districts:* Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Texas Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

*Developing Districts:* Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

*The District:* A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

## **District's Rights in the Event of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax or both subject to the restrictions on residential homesteads described in the preceding section under “Levy and Collection of Taxes”. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser’s deed issued at the foreclosure sale is filed in the county records. The District’s ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See “INVESTMENT CONSIDERATIONS—General” and “—Tax Collection Limitations and Foreclosure Remedies.”

## **INVESTMENT CONSIDERATIONS**

### **General**

The Bonds are obligations solely of the District and are not obligations of the City of Richmond, Fort Bend County, the State of Texas or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District’s bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See “THE BONDS—Source of Payment.” The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District’s obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See “Registered Owners’ Remedies and Bankruptcy Limitations” herein.

### **Infectious Disease Outbreak (COVID-19)**

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the “President”) declared the Pandemic a national emergency and the Texas Governor (the “Governor”) declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the “disaster declarations”). The Governor has issued successive renewals of the State disaster declarations, and such declaration remains in effect. On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

The District continues to monitor the spread of COVID-19 and follow the directives of local, state, and national agencies to address the potential impact of COVID-19 upon the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District’s financial condition.

## **Potential Effects of Oil Price Declines on the Houston Area**

The recent declines in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

## **Recent Extreme Weather Events**

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. The District experienced flooding in both 2016 and 2017 as described below.

Between April and June 2016, severe flooding damaged various areas in the Greater Houston Area including areas along the Brazos River, which include properties within the District. Approximately 36 houses within the District were inundated by flood waters. Such flooded areas, including affected properties within the District, were deemed by the Governor of Texas as disaster areas.

Based on information reported to the District, approximately 157 homes within the District experienced flooding or other significant damage as a result of Hurricane Harvey. Additionally, there was a temporary loss in sanitary sewer service due to submergence of an electrical panel at the City's lift station located within the District.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

## **Specific Flood Type Risks**

*Ponding (or Pluvial) Flood:* Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

*Riverine (or Fluvial) Flood:* Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

## **100-Year Flood Plain**

The Federal Emergency Management Agency (“FEMA”) commissioned a study to reevaluate the “base flood elevation” (commonly referred to as the 100-year flood plain elevation) in Fort Bend County in 2006 and the revised FIRM’s became the “effective” flood rate maps of Fort Bend County on April 2, 2014. The effective FIRM’s (Panel Nos. 48157CO235L and 48157CO255L, dated April 2, 2014) indicate that 267 acres consisting of 528 lots within the District lie within the 100-year flood plain. Approximately 104 acres consisting of approximately 319 lots comprising River’s Edge Sections Thirteen, Fifteen-A, Fifteen-B, Sixteen and a portion of Section Seventeen are located outside the 100-year flood plain. A Letter of Map Revision was approved by FEMA on August 4, 2016, to remove the remaining portion of River’s Edge, Section Seventeen from the 100-year flood plain. Homeowners of existing houses and lots that are deemed to be within the existing 100-year flood plain may be required to purchase flood insurance. Additionally, Fort Bend County requires all slabs on new houses and commercial buildings to be constructed a minimum of 18-inches above the 100-year flood plain elevation. See “THE SYSTEM—100-Year Flood Plain.”

The District expended a portion of the proceeds from the Series 2018 Bonds to construct various drainage and flood protection improvements identified as a result of Hurricane Harvey. The District completed the FBCMUD 140 (DRS) / Flood Protection Berm project on August 10, 2020 which consisted of a flood protection berm just north of the District and storm sewer outfall to the Brazos River. The District completed the TxDOT Sluice Gate installation project on FM 359 on October 29, 2019. This project included installing a sluice gate on an outfall north of the District that can be closed during high water events on Jones Creek and the Brazos River to prevent overflow that can impact MUD 140. The Rio Vista berm was completed on June 14, 2018. This is part of the flood protection berm north of the District. The FBCMUD 140 South Drainage / Flood Protection Berm is in the design phase and expected to start this year.

## **Atlas 14**

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. See “THE SYSTEM—Atlas 14.”

## **Texas Flood Infrastructure Fund Application – Proposed Regional Levee Project**

In 2019, the 86th Texas Legislature passed several bills, including Senate Bill 7, entrusting the Texas Water Development Board (“TWDB”) with new responsibilities related to funding flood mitigation projects and planning for future flood events. On November 5, 2019, Texas voters approved Proposition 8, a constitutional amendment providing for the creation of the Flood Infrastructure Fund (“FIF”) to assist in the financing of drainage, flood mitigation, and flood control projects. In early 2020, TWDB began accepting applications for financial assistance in the form of loans and grants for flood control, flood mitigation, and drainage projects. The application process is being administered in two phases, with abridged applications for assistance having been due by June 15, 2020, and full applications being due by October 19, 2020. Applicants were scored and ranked by the TWDB on the basis of their abridged application, and only a select group of applicants have been invited to submit full applications for financial assistance.

The District submitted its abridged application on June 11, 2020, for financial assistance to design and construct a regional levee project to provide flood protection to the District and adjacent communities. On September 17, 2020, the TWDB approved its Flood Intended Use Plan and a prioritization list of projects for possible funding. Based on the approved prioritization list, the District has been invited to apply for a loan of up to \$22,000,000. On September 29, 2020, the District’s board of directors has voted to submit the full application which will be due by October 19, 2020. The District is not obligated to borrow the money by virtue of submitting the application and would not be required to borrow all of the \$22,000,000 were the application to be approved by the TWDB. An agreement would ultimately be entered into between the TWDB and the District regarding the terms of the financing. At this time, it is anticipated that the financing would be structured as a no interest loan repaid over a period of up to 30 years. Furthermore, for the financing and projects to come to fruition, a successful bond election would be required, as well as regulatory approvals from several governmental entities would be required, including Fort Bend County, the City of Richmond, and the U.S. Army Corps of Engineers. Were the District ultimately able to secure the loan funding and were to draw significantly on those funds, there could be likely be a significant increase in the District’s tax rate and a negative impact on the District’s credit rating.

## **Economic Factors and Interest Rates**

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and commercial properties. The market value of such homes and commercial properties is related to general economic conditions affecting the demand for residences and such commercial properties.

## **Tax Collections Limitations and Foreclosure Remedies**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

## **Registered Owners' Remedies and Bankruptcy Limitations**

If the District defaults in the payment of principal, interest or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning District relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating the collateral or security arrangements, substituting (in whole or in part) other securities and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

### **Future Debt**

The District currently has an aggregate of \$2,390,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, wastewater and storm drainage facilities authorized but unissued and \$6,175,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing parks and recreational facilities authorized but unissued. After the issuance of the Bonds, \$35,055,000 principal amount of unlimited tax bonds for the purpose of refunding outstanding bonds will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. See "THE BONDS—Issuance of Additional Debt," "THE SYSTEM—Texas Flood Infrastructure Fund Application – Proposed Regional Levee Project" and "—Texas Flood Infrastructure Fund Application – Proposed Regional Levee Project" herein.

### **Environmental Regulations**

Wastewater treatment, water supply, storm sewer facilities and construction activities within the District are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;
- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

*Air Quality Issues:* Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston Galveston area ("HGB area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB area, the HGB area remains subject to CAA nonattainment requirements.

The HGB area is currently designated as a severe ozone nonattainment area under the 1997 Ozone Standards. While the EPA has revoked the 1997 Ozone Standards, EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB area remained subject to continuing severe nonattainment area "anti-backsliding" requirements, despite the fact that HGB area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, EPA approved the TCEQ's "redesignation substitute" for the HGB area under the revoked 1997 Ozone Standards, leaving the HGB area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB area under the 1997 Ozone Standard. The court has not responded to EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the *South Coast* court's ruling, the TCEQ has developed a formal request that the HGB area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB area redesignation request under the 1997 Ozone Standards on September 5, 2018.

The HGB area is currently designated as a “moderate” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the HGB area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more-stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB area is currently designated as a “marginal” nonattainment area under the 2015 Ozone Standard. For purposes of the 2015 Ozone Standard, the HGB area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the HGB area’s economic growth and development.

*Water Supply & Discharge Issues:* Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) public water supply systems, (2) wastewater discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and Environmental Protection Agency’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (“MS4s”) on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from MS4s. The District has submitted all necessary documentation to the TCEQ for MS4 Permit compliance. In order to maintain its current compliance with the TCEQ under the MS4 Permit, the District continues to develop and implement the required plans as well as install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff.

In 2015, the EPA and the United States Army Corps of Engineers (“USACE”) promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expands the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to jurisdictional wetland determinations, and could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, including the Southern District of Texas, and the litigation challenging the CWR is still pending.

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. In response, the EPA and the USACE subsequently released a proposed rule rescinding the CWR, reinstating the regulatory text that existed prior to the adoption of the CWR and proposing the development of a revised definition of “waters of the United States.” In June 2018, the EPA and USACE issued a supplemental notice of proposed rulemaking to the 2017 proposed action to repeal the 2015 definition of “waters of the United States” to clarify that the agencies are proposing to permanently repeal the CWR in its entirety and reinstate language in place before the adoption of the CWR while developing a revised definition of “waters of the United States.” Meanwhile, in January 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nationwide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 12, 2018, the U.S. District Court for the Southern District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana and Mississippi until the case filed by the States of Texas, Louisiana and Mississippi in 2015 is finally resolved.

On December 11, 2018, the EPA and USACE released the proposed replacement definition of “waters of the United States.” The proposed definition outlines six categories of waters that would be considered “waters of the United States,” including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not “waters of the United States,” such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies have taken comments on the proposal which was published in the Federal Register, which occurred on February 14, 2019. If finalized, the proposed rule would apply nationwide, replacing the patchwork framework for Clean Water Act jurisdiction that has resulted from litigation challenging the CWR.

Due to the pending rulemaking activity and rule challenge litigation, there is significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including permitting requirements.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective on June 22, 2020, and is the subject of further litigation.

Due to ongoing rulemaking activity, as well as existing and possible future litigation, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

### **Marketability of the Bonds**

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

### **Continuing Compliance with Certain Covenants**

Failure of the District to comply with certain covenants contained in the Bond Resolution on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See “TAX MATTERS.”



## **Changes in Tax Legislation**

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

## **Risk Factors on Municipal Bond Insurance**

The District has entered into an agreement with Build America Mutual Assurance Company (“BAM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE.”

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer (the “Insurer”) and its claim paying ability. The Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE.”

The obligations of the Insurer are contractual obligations and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District nor the Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment.

## **LEGAL MATTERS**

### **Legal Proceedings**

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under “PLAN OF FINANCING—Payment of the Refunded Bonds,” “THE BONDS,” “THE DISTRICT—General,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

The Muller Law Group, PLLC also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to in its capacity as General Counsel are based on time charges actually incurred or a fixed fee. The legal fees paid to The Muller Law Group, PLLC in its capacity as Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and are earned upon sale and delivery of the Bonds.

### **No Material Adverse Change**

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the PRELIMINARY OFFICIAL STATEMENT.

## **No-Litigation Certificate**

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

## **TAX MATTERS**

In the opinion of The Muller Law Group PLLC, Bond Counsel (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring) or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

### **Qualified Tax-Exempt Obligations**

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended. Pursuant to that section of the Code, a qualifying financial institution will be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated "bank-qualified" investments.

## **VERIFICATION OF MATHEMATICAL CALCULATIONS**

Public Finance Partners LLC, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Bonds; and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District's retained advisors, consultants or legal counsel.

## **MUNICIPAL BOND RATING**

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), will assign its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. S&P has assigned a credit rating of "BBB" to the Bonds without regard to credit enhancement. An explanation of the rating may be obtained from S&P, 55 Water Street, New York, New York 10041. See "INVESTMENT CONSIDERATIONS—Risk Factors on Municipal Bond Insurance" and "MUNICIPAL BOND INSURANCE."

There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

## MUNICIPAL BOND INSURANCE

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this OFFICIAL STATEMENT.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

### *Capitalization of BAM*

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$488.7 million, \$143.6 million and \$345.1 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM’s most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM’s website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this OFFICIAL STATEMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “MUNICIPAL BOND INSURANCE.”

### *Additional Information Available from BAM*

Credit Insights Videos: For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM’s website at [buildamerica.com/creditsights/](http://buildamerica.com/creditsights/). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

*Credit Profiles:* Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [buildamerica.com/obligor/](http://buildamerica.com/obligor/). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

*Disclaimers:* The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

## PREPARATION OF OFFICIAL STATEMENT

### Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this OFFICIAL STATEMENT are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

### Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

### Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants.

*Tax Assessor/Collector:* The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by Utility Tax Service, LLC, and is included herein in reliance upon the authority of such individual as an expert in assessing property values and collecting taxes.

*Engineer:* The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Costello, Inc., Consulting Engineers and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

*Auditor:* The District's financial statements for the fiscal year ending July 31, 2019, were audited by McGrath & Co., PLLC, Certified Public Accountants and are included in "APPENDIX A."

*Bookkeeper:* The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Water and Wastewater Operations" has been provided by McLennan & Associates, L.P., and is included herein in reliance upon the authority of such firm as an expert in tracking and managing the various funds of municipal utility districts.

## **Updating the Official Statement**

If subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to the Underwriter to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

## **Certification of Official Statement**

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the Board has relied in part upon its examination of records of the District, and upon discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Resolution, the District has the following agreement for the benefit of the Registered and Beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

## **Annual Reports**

The District will provide certain financial information and operating data to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) (except for "Estimated Overlapping Debt"), "TAX DATA," and in APPENDIX A (the District's Annual Financial Report and Supplemental Schedules). The District will update and provide this information to MSRB within six months after the end of each of its fiscal years ending in or after 2020. Any financial statements provided by the District shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is July 31. Accordingly, it must provide updated information by January 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

## **Event Notices**

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of 17 CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning

of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

### **Availability of Information from the MSRB**

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects; nor has the District agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an Underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

### **Compliance With Prior Undertakings**

During the last five years, the District has no known failures to comply in all material respects with all continuing disclosure undertakings made by the District in accordance with SEC Rule 15c2-12.

## **MISCELLANEOUS**

All estimates, statements and assumptions in this OFFICIAL STATEMENT and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this OFFICIAL STATEMENT involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

/s/ David Smith  
President, Board of Directors

ATTEST:

/s/ Gene Tomas  
Secretary, Board of Directors

**APPENDIX A**

**Financial Statement of the District for the year ended July 31, 2019**



**FORT BEND COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 140**

**FORT BEND COUNTY, TEXAS**

**FINANCIAL REPORT**

**July 31, 2019**



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# McGRATH & CO., PLLC

*Certified Public Accountants*  
2500 Tanglewilde, Suite 340  
Houston, Texas 77063

## Independent Auditors' Report

Board of Directors  
Fort Bend County Municipal Utility District No. 140  
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 140, as of and for the year ended July 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

***Board of Directors  
Fort Bend County Municipal Utility District No. 140  
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 Fort Bend County Municipal Utility District No. 140, as of July 31, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

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

*McGuire & Co, P.C.*

Houston, Texas  
November 19, 2019

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

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***Fort Bend County Municipal Utility District No. 140  
Management's Discussion and Analysis  
July 31, 2019***

**Using this Annual Report**

Within this section of the financial report of Fort Bend County Municipal Utility District No. 140 (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 July 31, 2019. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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

**Fort Bend County Municipal Utility District No. 140**  
**Management's Discussion and Analysis**  
**July 31, 2019**

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

**Fund Financial Statements**

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

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

**Financial Analysis of the District as a Whole**

The District's net position at July 31, 2019, was \$1,396,124. A comparative summary of the District's overall financial position, as of July 31, 2019 and 2018, is as follows:

	2019	2018
Current and other assets	\$ 10,856,796	\$ 5,472,060
Capital assets	14,664,494	14,282,203
Total assets	<u>25,521,290</u>	<u>19,754,263</u>
Total deferred outflows of resources	<u>468,577</u>	<u>505,000</u>
Current liabilities	1,808,662	1,479,623
Long-term liabilities	22,785,081	18,256,294
Total liabilities	<u>24,593,743</u>	<u>19,735,917</u>
Net position		
Net investment in capital assets	(3,431,754)	(3,852,183)
Restricted	2,163,824	2,051,099
Unrestricted	2,664,054	2,324,430
Total net position	<u>\$ 1,396,124</u>	<u>\$ 523,346</u>

**Fort Bend County Municipal Utility District No. 140**  
**Management's Discussion and Analysis**  
**July 31, 2019**

The total net position of the District increased during the current fiscal year by \$872,778. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2019</u>	<u>2018</u>
Revenues		
Water and sewer service	\$ 685,316	\$ 701,198
Property taxes, penalties and interest	2,342,337	2,333,404
Other	1,239,467	823,790
Total revenues	<u>4,267,120</u>	<u>3,858,392</u>
Expenses		
Current service operations	2,011,872	2,151,844
Debt interest and fees	727,341	570,065
Developer interest		2,954
Debt issuance costs	369,583	141,903
Depreciation and amortization	285,546	271,441
Total expenses	<u>3,394,342</u>	<u>3,138,207</u>
Change in net position	872,778	720,185
Net position, beginning of year	523,346	(196,839)
Net position, end of year	<u>\$ 1,396,124</u>	<u>\$ 523,346</u>

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

The District's combined fund balances, as of July 31, 2019, were \$10,469,096, which consists of \$2,656,815 in the General Fund, \$2,452,025 in the Debt Service Fund and \$5,360,256 in the Capital Projects Fund.

*General Fund*

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

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 3,020,010</u>	<u>\$ 2,634,710</u>
Total liabilities	\$ 355,956	\$ 310,280
Total deferred inflows	7,239	9,771
Total fund balance	<u>2,656,815</u>	<u>2,314,659</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 3,020,010</u>	<u>\$ 2,634,710</u>

**Fort Bend County Municipal Utility District No. 140**  
**Management's Discussion and Analysis**  
**July 31, 2019**

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 2,429,159	\$ 2,370,273
Total expenditures	<u>(2,087,003)</u>	<u>(2,098,051)</u>
Revenues over expenditures	<u>\$ 342,156</u>	<u>\$ 272,222</u>

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues decreased from prior year because the District decreased the maintenance and operations component of the levy and because assessed values decreased from prior year.
- Water, sewer and groundwater reduction plan revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Revenues from providing fire protection services are based on the number of connections in the District and fluctuate as the number of connections fluctuate.
- Tap connection fees fluctuate with homebuilding activity within the District.

*Debt Service Fund*

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

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 2,476,530</u>	<u>\$ 2,285,442</u>
Total liabilities	\$ 5,041	\$ 176
Total deferred inflows	19,464	20,398
Total fund balance	<u>2,452,025</u>	<u>2,264,868</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,476,530</u>	<u>\$ 2,285,442</u>

**Fort Bend County Municipal Utility District No. 140**  
**Management's Discussion and Analysis**  
**July 31, 2019**

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 1,779,471	\$ 1,465,177
Total expenditures	<u>(1,592,314)</u>	<u>(1,702,449)</u>
Revenues over/(under) expenditures	187,157	(237,272)
Other changes in fund balance		189,176
Net change in fund balance	<u>\$ 187,157</u>	<u>\$ (48,096)</u>

The District's financial resources in the Debt Service Fund in the current year and prior year are from property tax revenues. In the prior year, the District also received capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in changes 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.

During the prior year, the District issued \$3,210,000 in refunding bonds to refund \$3,130,000 of its outstanding Series 2007, Series 2007A and Series 2011 bonds. This refunding will save the District \$261,380 in future debt service requirements.

*Capital Projects Fund*

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

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 5,360,256</u>	<u>\$ 551,908</u>
Total fund balance	<u>\$ 5,360,256</u>	<u>\$ 551,908</u>

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 61,958	\$ 9,791
Total expenditures	<u>(923,610)</u>	<u>(257,960)</u>
Revenues under expenditures	(861,652)	(248,169)
Other changes in fund balance	5,670,000	
Net change in fund balance	<u>\$ 4,808,348</u>	<u>\$ (248,169)</u>

During the current year, the District's issued its \$5,670,000 Series 2018 unlimited tax bonds. Proceeds of these bonds will be used to finance the cost of constructing various flood control/mitigation

**Fort Bend County Municipal Utility District No. 140**  
**Management's Discussion and Analysis**  
**July 31, 2019**

projects in the District. In the previous fiscal year, the District's capital asset activity was for the construction of the Rio Vista Berm.

**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 \$380,606 greater than budgeted. The *Budgetary Comparison Schedule* on page 32 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.

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

	<u>2019</u>	<u>2018</u>
Capital assets not being depreciated		
Land and improvements	\$ 5,563,584	\$ 5,387,886
Capital assets being depreciated/amortized		
Water, sewer and drainage systems	9,986,943	9,986,943
Parks	727,648	727,648
Equipment	155,186	41,127
Impact fees/Capacity charges	1,226,954	848,874
	<u>12,096,731</u>	<u>11,604,592</u>
Less accumulated depreciation/amortization		
Water, sewer and drainage systems	(2,393,843)	(2,169,604)
Parks	(268,619)	(250,001)
Equipment	(26,263)	(18,504)
Impact fees/Capacity charges	(307,096)	(272,166)
	<u>(2,995,821)</u>	<u>(2,710,275)</u>
Depreciable capital assets, net	<u>9,100,910</u>	<u>8,894,317</u>
Capital assets, net	<u>\$ 14,664,494</u>	<u>\$ 14,282,203</u>

**Fort Bend County Municipal Utility District No. 140**  
**Management's Discussion and Analysis**  
**July 31, 2019**

Capital asset additions during the current year consist of:

- Capacity in the City of Richmond's elevated water facility
- Acquisition of easement for construction of berm
- Flood mitigation equipment

**Long-Term Debt and Related Liabilities**

As of July 31, 2019, the District owes \$1,463,517 to developers for completed projects and operating advances. 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.

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

Series	2019	2018
2007	\$ 165,000	\$ 320,000
2007A		160,000
2011	300,000	400,000
2013 Refunding	1,570,000	1,660,000
2015 Refunding	4,765,000	4,800,000
2016	5,100,000	5,400,000
2016A	1,680,000	1,755,000
2017 Refunding	3,190,000	3,210,000
2018	5,670,000	
	\$ 22,440,000	\$ 17,705,000

During the year, the District issued \$5,670,000 in unlimited tax bonds. At July 31, 2019, the District had \$2,390,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$6,175,000 for parks and recreational facilities and \$35,055,000 for refunding purposes.

**Next Year's Budget**

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers.

**Fort Bend County Municipal Utility District No. 140**  
**Management's Discussion and Analysis**  
**July 31, 2019**

A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	<u>2019 Actual</u>	<u>2020 Budget</u>
Total revenues	\$ 2,429,159	\$ 1,976,043
Total expenditures	<u>(2,087,003)</u>	<u>(1,856,439)</u>
Revenues over/(under) expenditures	342,156	119,604
Beginning fund balance	<u>2,314,659</u>	<u>2,656,815</u>
Ending fund balance	<u>\$ 2,656,815</u>	<u>\$ 2,776,419</u>

**Property Taxes**

The District's property tax base increased approximately \$27,650,000 for the 2019 tax year from \$184,266,306 to \$211,916,499. This increase was primarily due to increased property values in the District. For the 2019 tax year, the District will levy a maintenance tax rate of \$0.41 per \$100 of assessed value and a debt service tax rate of \$0.83 per \$100 of assessed value, for a total combined tax rate of \$0.83 per \$100. Tax rates for the 2018 tax year were \$0.31 per \$100 for maintenance and operations and \$0.94 per \$100 for debt service for a combined total of \$1.25 per \$100 of assessed value.



## **Basic Financial Statements**

**Fort Bend County Municipal Utility District No. 140**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**July 31, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 353,624	\$ 57,225	\$ 4,858,994	\$ 5,269,843	\$ -	\$ 5,269,843
Investments	2,198,364	2,399,841	726,434	5,324,639		5,324,639
Deposits held by City of Richmond	122,110			122,110		122,110
Taxes receivable, net	7,239	19,464		26,703		26,703
Customer service receivables, net	84,135			84,135		84,135
Prepaid items	9,684			9,684		9,684
Internal balances	225,172		(225,172)			
Due from City of Richmond	19,682			19,682		19,682
Capital assets not being depreciated					5,563,584	5,563,584
Capital assets, net					9,100,910	9,100,910
<b>Total Assets</b>	<b>\$3,020,010</b>	<b>\$2,476,530</b>	<b>\$ 5,360,256</b>	<b>\$ 10,856,796</b>	<b>14,664,494</b>	<b>25,521,290</b>
<b>Deferred Outflows of Resources</b>						
Deferred difference on refunding					468,577	468,577
<b>Liabilities</b>						
Accounts payable	\$ 239,413	\$ -	\$ -	\$ 239,413		239,413
Other payables	1,933	5,041		6,974		6,974
Customer deposits	114,610			114,610		114,610
Accrued interest payable					307,665	307,665
Due to developers					1,463,517	1,463,517
Long-term debt						
Due within one year					1,140,000	1,140,000
Due after one year					21,321,564	21,321,564
<b>Total Liabilities</b>	<b>355,956</b>	<b>5,041</b>		<b>360,997</b>	<b>24,232,746</b>	<b>24,593,743</b>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	7,239	19,464		26,703	(26,703)	
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Nonspendable	9,684			9,684	(9,684)	
Restricted		2,452,025	5,360,256	7,812,281	(7,812,281)	
Unassigned	2,647,131			2,647,131	(2,647,131)	
<b>Total Fund Balances</b>	<b>2,656,815</b>	<b>2,452,025</b>	<b>5,360,256</b>	<b>10,469,096</b>	<b>(10,469,096)</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$3,020,010</b>	<b>\$2,476,530</b>	<b>\$ 5,360,256</b>	<b>\$ 10,856,796</b>		
<b>Net Position</b>						
Net investment in capital assets					(3,431,754)	(3,431,754)
Restricted for debt service					2,163,824	2,163,824
Unrestricted					2,664,054	2,664,054
<b>Total Net Position</b>					<b>\$ 1,396,124</b>	<b>\$ 1,396,124</b>

See notes to basic financial statements.

**Fort Bend County Municipal Utility District No. 140**

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

**For the Year Ended July 31, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Water service	\$ 356,553	\$ -	\$ -	\$ 356,553	\$ -	\$ 356,553
Sewer service	328,763			328,763		328,763
Property taxes	569,153	1,723,950		2,293,103	1,708	2,294,811
Penalties and interest	39,604	13,098		52,702	(5,176)	47,526
Reimbursement from City of Richmond	258,447			258,447		258,447
Garbage service	302,358			302,358		302,358
Tap connection and inspection	53,505			53,505		53,505
Fire protection	289,488			289,488		289,488
Groundwater reduction plan	177,223			177,223		177,223
Miscellaneous	5,650			5,650		5,650
Investment earnings	48,415	42,423	61,958	152,796		152,796
<b>Total Revenues</b>	<b>2,429,159</b>	<b>1,779,471</b>	<b>61,958</b>	<b>4,270,588</b>	<b>(3,468)</b>	<b>4,267,120</b>
<b>Expenditures/Expenses</b>						
Current service operations						
Purchased services	494,815			494,815		494,815
Professional fees	426,775			426,775		426,775
Contracted services	677,679	34,221		711,900		711,900
Repairs and maintenance	138,063			138,063		138,063
Groundwater reduction plan	169,815			169,815		169,815
Utilities	7,266			7,266		7,266
Administrative	45,757	4,458	249	50,464		50,464
Other	12,774			12,774		12,774
Capital outlay	114,059		553,778	667,837	(667,837)	
Debt service						
Principal		935,000		935,000	(935,000)	
Interest and fees		618,635		618,635	108,706	727,341
Debt issuance costs			369,583	369,583		369,583
Depreciation and amortization					285,546	285,546
<b>Total Expenditures/Expenses</b>	<b>2,087,003</b>	<b>1,592,314</b>	<b>923,610</b>	<b>4,602,927</b>	<b>(1,208,585)</b>	<b>3,394,342</b>
<b>Revenues Over/(Under) Expenditures</b>	<b>342,156</b>	<b>187,157</b>	<b>(861,652)</b>	<b>(332,339)</b>	<b>332,339</b>	
<b>Other Financing Sources</b>						
Proceeds from sale of bonds			5,670,000	5,670,000	(5,670,000)	
<b>Net Change in Fund Balances</b>	<b>342,156</b>	<b>187,157</b>	<b>4,808,348</b>	<b>5,337,661</b>	<b>(5,337,661)</b>	
<b>Change in Net Position</b>					<b>872,778</b>	<b>872,778</b>
Fund Balance/Net Position						
Beginning of the year	2,314,659	2,264,868	551,908	5,131,435	(4,608,089)	523,346
<b>End of the year</b>	<b>\$2,656,815</b>	<b>\$2,452,025</b>	<b>\$ 5,360,256</b>	<b>\$10,469,096</b>	<b>\$ (9,072,972)</b>	<b>\$ 1,396,124</b>

See notes to basic financial statements.

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***Fort Bend County Municipal Utility District No. 140***  
***Notes to Basic Financial Statements***  
***July 31, 2019***

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

The accounting policies of Fort Bend County Municipal Utility District No. 140 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

**Creation**

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated July 15, 2003 and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on July 21, 2003 and the first bonds were sold on May 8, 2006.

The District’s primary activities include construction, maintenance and operation of water, sewer, drainage, park and recreational 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, a component unit of a primary government or a related organization. A primary government has a separately elected governing body; is legally separate; and is fiscally independent of other state and local governments. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

**Government-Wide and Fund Financial Statements**

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

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

**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, water and sewer service fees and fire protection 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, drainage, park and recreational facilities.

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

**Measurement Focus and Basis of Accounting**

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

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

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

**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.

**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 July 31, 2019, allowances of \$8,000 and \$1,176 were provided for possible uncollectible water/sewer accounts and uncollectible property taxes, 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 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.

**Fort Bend County Municipal Utility District No. 140**  
**Notes to Basic Financial Statements**  
**July 31, 2019**

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

Depreciable capital assets, which primarily consist of water, wastewater, drainage and park facilities and impact fees paid to the City of Richmond, are depreciated or amortized using the straight-line method as follows:

Assets	Useful Life
Water, sewer and drainage systems	45 years
Parks	30-40 years
Equipment	20 years
Impact fees/Capacity charges	40 years [max]

The District’s detention facilities 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.

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

**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.



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

**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.

**Use of Estimates**

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

**Fort Bend County Municipal Utility District No. 140**  
**Notes to Basic Financial Statements**  
**July 31, 2019**

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

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

Total fund balance, governmental funds		\$ 10,469,096
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
Historical cost	\$ 17,660,315	
Less accumulated depreciation/amortization	<u>(2,995,821)</u>	
Change due to capital assets		14,664,494
<p>The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the <i>Statement of Net Position</i> and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.</p>		
		468,577
<p>Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i>.</p>		
		(1,463,517)
<p>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:</p>		
Bonds payable, net	(22,461,564)	
Interest payable on bonds	<u>(307,665)</u>	
Change due to long-term debt		(22,769,229)
<p>Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.</p>		
Change due to property taxes		26,703
Total net position - governmental activities		<u><u>\$ 1,396,124</u></u>

**Fort Bend County Municipal Utility District No. 140**  
**Notes to Basic Financial Statements**  
**July 31, 2019**

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

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

Net change in fund balances - total governmental funds	\$ 5,337,661
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes. (3,468)

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	\$ (5,670,000)	
Principal payments	935,000	
Interest expense accrual	(108,706)	
	<u>                    </u>	(4,843,706)

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	667,837	
Depreciation and amortization expense	(285,546)	
	<u>                    </u>	382,291

Change in net position of governmental activities	<u><u>\$ 872,778</u></u>
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**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.

**Fort Bend County Municipal Utility District No. 140**  
**Notes to Basic Financial Statements**  
**July 31, 2019**

**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 July 31, 2019, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 2,198,364	AAAm	35 days
	Debt Service	2,399,841		
	Capital Projects	726,434		
		<u>\$ 5,324,639</u>		

**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.

*Fort Bend County Municipal Utility District No. 140*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

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

**TexPool (continued)**

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

**Investment Credit and Interest Rate Risk**

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

**Note 4 – Interfund Balances and Transactions**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 225,172	Bond related costs and capital outlays 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.

**Fort Bend County Municipal Utility District No. 140**  
**Notes to Basic Financial Statements**  
**July 31, 2019**

**Note 5 – Capital Assets**

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

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 5,387,886	\$ 175,698	\$ 5,563,584
Capital assets being depreciated/amortized			
Water, sewer and drainage systems	9,986,943		9,986,943
Parks	727,648		727,648
Equipment	41,127	114,059	155,186
Impact fees/Capacity charges	848,874	378,080	1,226,954
	<u>11,604,592</u>	<u>492,139</u>	<u>12,096,731</u>
Less accumulated depreciation/amortization			
Water, sewer and drainage systems	(2,169,604)	(224,239)	(2,393,843)
Parks	(250,001)	(18,618)	(268,619)
Equipment	(18,504)	(7,759)	(26,263)
Impact fees/Capacity charges	(272,166)	(34,930)	(307,096)
	<u>(2,710,275)</u>	<u>(285,546)</u>	<u>(2,995,821)</u>
Subtotal depreciable capital assets, net	<u>8,894,317</u>	<u>206,593</u>	<u>9,100,910</u>
Capital assets, net	<u>\$ 14,282,203</u>	<u>\$ 382,291</u>	<u>\$ 14,664,494</u>

Depreciation/amortization expense for the current year was \$285,546.

The District has contractual commitments for construction projects as follows:

Project	Contract Amount	Amounts Paid	Remaining Commitment
DRS Berm	\$ 1,563,000	\$ -	\$ 1,563,000

**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 developer is reimbursed. The amount due to developer at July 31, 2019 is \$1,463,517. There was no change in this liability from the prior year.

**Fort Bend County Municipal Utility District No. 140**  
**Notes to Basic Financial Statements**  
**July 31, 2019**

**Note 7 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 22,440,000
Unamortized discounts	(129,720)
Unamortized premiums	151,284
	<u>\$ 22,461,564</u>
Due within one year	<u>\$ 1,140,000</u>

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2007	\$ 165,000	\$ 4,620,000	4.00% - 6.00%	September 1, 2008/2032	September 1, March 1	September 1, 2015
2011	300,000	2,370,000	3.25% - 5.25%	September 1, 2012/2034	September 1, March 1	September 1, 2019
2013 Refunding	1,570,000	2,000,000	2.00% - 4.00%	September 1, 2013/2031	September 1, March 1	September 1, 2021
2015 Refunding	4,765,000	4,920,000	2.825%	September 1, 2015/2030	September 1, March 1	September 1, 2019
2016	5,100,000	5,700,000	2.00% - 3.50%	September 1, 2017/2035	September 1, March 1	September 1, 2024
2016A	1,680,000	1,825,000	2.00% - 3.50%	September 1, 2017/2035	September 1, March 1	September 1, 2024
2017 Refunding	3,190,000	3,210,000	2.00% - 4.00%	September 1, 2018/2034	September 1, March 1	September 1, 2024
2018	5,670,000	5,670,000	3.00% - 5.00%	September 1, 2018/2034	September 1, March 1	September 1, 2024
	<u>\$ 22,440,000</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.

**Fort Bend County Municipal Utility District No. 140**  
**Notes to Basic Financial Statements**  
**July 31, 2019**

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

At July 31, 2019, the District had authorized but unissued bonds in the amount of \$2,390,000 for water, sewer and drainage facilities; \$6,175,000 for park and recreational facilities; and \$35,055,000 for refunding purposes.

On October 18, 2018, the District issued its \$5,670,000 Series 2018 Unlimited Tax Bonds at a net effective interest rate of 3.722698%. Proceeds of the bonds will be used to fund capital asset activity in the District.

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

Bonds payable, beginning of year	\$	17,705,000
Bonds issued		5,670,000
Bonds retired		(935,000)
Bonds payable, end of year	\$	<u>22,440,000</u>

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

Year	Principal	Interest	Totals
2020	\$ 1,140,000	\$ 713,410	\$ 1,853,410
2021	1,170,000	683,310	1,853,310
2022	1,185,000	649,414	1,834,414
2023	1,205,000	611,635	1,816,635
2024	1,225,000	573,907	1,798,907
2025	1,240,000	534,646	1,774,646
2026	1,255,000	495,166	1,750,166
2027	1,275,000	456,245	1,731,245
2028	1,305,000	416,408	1,721,408
2029	1,325,000	375,514	1,700,514
2030	1,345,000	333,646	1,678,646
2031	1,365,000	291,073	1,656,073
2032	1,400,000	243,547	1,643,547
2033	1,380,000	191,994	1,571,994
2034	1,060,000	147,919	1,207,919
2035	1,055,000	110,550	1,165,550
2036	935,000	75,097	1,010,097
2037	525,000	48,891	573,891
2038	525,000	29,531	554,531
2039	525,000	9,844	534,844
	<u>\$ 22,440,000</u>	<u>\$ 6,991,747</u>	<u>\$ 29,431,747</u>



**Fort Bend County Municipal Utility District No. 140**  
**Notes to Basic Financial Statements**  
**July 31, 2019**

**Note 8 – Property Taxes**

On September 13, 2003, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.25 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 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of \$1.25 per \$100 of assessed value, of which \$0.31 was allocated to maintenance and operations and \$0.94 was allocated to debt service. The resulting tax levy was \$2,303,329 on the adjusted taxable value of \$184,266,306.

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

Current year taxes receivable	\$ 22,341
Prior years taxes receivable	4,362
Property taxes receivable	<u>\$ 26,703</u>

**Note 9 – Contracts with City of Richmond**

**Strategic Partnership Agreement**

On May 17, 2004, the District and the City of Richmond (the “City”) entered into a Strategic Partnership Agreement, which was revised and restated on September 19, 2005. Under the terms of the agreement, the City shall not fully annex the District until ninety percent of the District’s water, wastewater and drainage facilities have been constructed and its developer has been reimbursed as allowed by the Texas Commission on Environmental Quality. The City may annex any commercial portion of the District at any time for the purpose of imposing and collecting the City’s sale and use tax within the commercial area. The District continues to exercise all powers and functions of a municipal utility district.

**Fire Protection Agreement**

On September 16, 2003, The District entered into a Fire Protection Agreement with the City of Richmond. The City has agreed to provide fire protection services to the District in return for payment of monthly fire protection fees. The District shall pay the City \$13.95 per month for each residential and commercial connection. During the fiscal year, the District paid \$283,488 to the City under the terms of this agreement.

**Note 9 – Contracts with City of Richmond (continued)**

**Utility Agreement**

The City provides water supply and wastewater treatment services to the District pursuant to an amended and restated water supply and wastewater services contract dated July 1, 2004, as subsequently amended September 19, 2005, June 7, 2006, July 16, 2007 and July 14, 2011. The agreement has an initial forty-year term, which automatically renews for consecutive one-year terms unless terminated by either party. The City imposes connection charges on users connecting to the City's wastewater system. As of July 31, 2018, the District has paid \$848,874 for connection charges to the City. The agreement further provides that the District will pay for its pro-rata share of the design and construction of a new City water plant. During the current fiscal year, the District paid \$378,080 to the City for its share of this project. The City shall own operate and maintain the new water plant.

The City acts as the operator for the District pursuant to this agreement and bills customers of the District in accordance with the District's rate order and is required to remit all amounts collected from the District's customers to the District on a monthly basis. The City will also invoice the District monthly for services provided to the District. During the current fiscal year, the City refunded \$342,631 to the District for overbilling water supply, of this amount \$258,447 was attributable to prior years and was recorded as revenue.

**Note 10 – 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 11 – Subsequent Events**

**Natural Resources Conservation Services Grant**

In September 2019, the District executed a grant agreement with the Natural Resources Conservation Services to provide funding for a bank stabilization project on the Brazos River. The total award was \$8,114,680 with \$7,478,968 allocated to construction and \$635,712 for other costs. The District is required to provide \$830,996 in matching funds for the project.

**Acquisition of Easement**

On November 1, 2019, the District executed a settlement agreement in the amount of \$1,057,915 to acquire an easement needed to construct and maintain a berm and associated appurtenances for flood mitigation purposes.

## **Required Supplementary Information**

*Fort Bend County Municipal Utility District No. 140  
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund  
 For the Year Ended July 31, 2019*

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Water service	\$ 384,000	\$ 384,000	\$ 356,553	\$ (27,447)
Sewer service	338,000	338,000	328,763	(9,237)
Property taxes	459,514	459,514	569,153	109,639
Penalties and interest	30,000	30,000	39,604	9,604
Reimbursement from City of Richmond			258,447	258,447
Garbage service	204,000	204,000	302,358	98,358
Tap connection and inspection	11,160	11,160	53,505	42,345
Fire protection	264,000	264,000	289,488	25,488
Groundwater reduction plan	318,000	318,300	177,223	(141,077)
Miscellaneous	3,000	3,000	5,650	2,650
Investment earnings	30,000	30,000	48,415	18,415
<b>Total Revenues</b>	<u>2,041,674</u>	<u>2,041,974</u>	<u>2,429,159</u>	<u>387,185</u>
<b>Expenditures</b>				
Current service operations				
Purchased services	647,000	647,000	494,815	152,185
Professional fees	167,350	310,750	426,775	(116,025)
Contracted services	529,670	529,670	677,679	(148,009)
Repairs and maintenance	197,804	197,802	138,063	59,739
Groundwater reduction plan	318,000	318,000	169,815	148,185
Utilities	8,400	8,400	7,266	1,134
Administrative	49,702	61,002	45,757	15,245
Other	6,600	7,800	12,774	(4,974)
<b>Total Expenditures</b>	<u>1,924,526</u>	<u>2,080,424</u>	<u>2,087,003</u>	<u>(6,579)</u>
<b>Revenues Over/(Under) Expenditures</b>	117,148	(38,450)	342,156	380,606
<b>Fund Balance</b>				
Beginning of the year	2,314,659	2,314,659	2,314,659	
<b>End of the year</b>	<u>\$ 2,431,807</u>	<u>\$ 2,276,209</u>	<u>\$ 2,656,815</u>	<u>\$ 380,606</u>

*Fort Bend County Municipal Utility District No. 140*  
*Notes to Required Supplementary Information*  
*July 31, 2019*

**Budgets and Budgetary Accounting**

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

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## **Texas Supplementary Information**

**Fort Bend County Municipal Utility District No. 140**  
**TSI-1. Services and Rates**  
**July 31, 2019**

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 type="checkbox"/> Flood Control                  | <input type="checkbox"/> Irrigation          |
| <input type="checkbox"/> Parks / Recreation  | <input type="checkbox"/> Fire Protection      | <input type="checkbox"/> Roads                          | <input type="checkbox"/> Security            |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) |   |   |  |
| <input type="checkbox"/> Other (Specify): _____  |   |   |  |

2. Retail Service Providers

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

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

	<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:	\$ 17.00	2,000	N	\$ 2.62	2,001	to 5,000
				\$ 2.87	5,001	to 10,000
				\$ 3.12	10,001	to 20,000
				\$ 3.37	20,001	to 50,000
				\$ 3.62	50,001	to 75,000
				\$ 3.87	75,000	to no limit
Wastewater:	\$ 21.00	2,000	N	\$ 3.00	2,001	to no limit
Surcharge:	\$ 2.78	N/A	N	N/A	1,000	to no limit

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \$ 67.01 Wastewater \$ 45.00

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"	841	833	x 1.0	833
1"	16	16	x 2.5	40
1.5"			x 5.0	
2"	10	10	x 8.0	80
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	867	859		953
Total Wastewater	843	843	x 1.0	843

See accompanying auditor's report.



**Fort Bend County Municipal Utility District No. 140**  
**TSI-1. Services and Rates**  
**July 31, 2019**

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>76,291,100</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>76,291,100</u>	(Gallons billed / Gallons pumped)
		<u>100.00%</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 County

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

City(ies) in which the District is located: \_\_\_\_\_

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.

*Fort Bend County Municipal Utility District No. 140  
TSI-2 General Fund Expenditures  
For the Year Ended July 31, 2019*

Purchased services	<u>\$ 494,815</u>
Professional fees	
Legal	300,103
Audit	11,750
Engineering	<u>114,922</u>
	<u>426,775</u>
Contracted services	
Bookkeeping	22,538
Operator	25,565
Tap connection and inspection	30,340
Fire service contract	283,488
Garbage	<u>315,748</u>
	<u>677,679</u>
Repairs and maintenance	<u>138,063</u>
Groundwater reduction plan	<u>169,815</u>
Utilities	<u>7,266</u>
Administrative	
Directors fees	14,400
Printing and office supplies	3,155
Insurance	10,118
Other	<u>18,084</u>
	<u>45,757</u>
Other	<u>12,774</u>
Capital outlay	<u>114,059</u>
Total expenditures	<u>\$ 2,087,003</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 140*  
*TSI-3. Investments*  
*July 31, 2019*

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexPool	Variable	N/A	<u>\$ 2,198,364</u>
Debt Service			
TexPool	Variable	N/A	2,343,142
TexPool	Variable	N/A	56,699
			<u>2,399,841</u>
Capital Projects			
TexPool	Variable	N/A	<u>726,434</u>
Total - All Funds			<u><u>\$ 5,324,639</u></u>

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 140**  
**TSI-4. Taxes Levied and Receivable**  
**July 31, 2019**

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 9,771	\$ 15,223	\$ 24,994	
Adjustments	(3,400)	(5,118)	(8,518)	
Adjusted Receivable	6,371	10,105	16,476	
2018 Original Tax Levy	569,096	1,725,646	2,294,742	
Adjustments	2,130	6,457	8,587	
Adjusted Tax Levy	571,226	1,732,103	2,303,329	
Total to be accounted for	577,597	1,742,208	2,319,805	
Tax collections				
Current year	565,685	1,715,303	2,280,988	
Prior years	4,673	7,441	12,114	
Total Collections	570,358	1,722,744	2,293,102	
Taxes Receivable, End of Year	\$ 7,239	\$ 19,464	\$ 26,703	
Taxes Receivable, By Year				
2018	\$ 5,541	\$ 16,800	\$ 22,341	
2017	1,483	2,224	3,707	
2016	102	253	355	
2015 and prior	113	187	300	
Taxes Receivable, End of Year	\$ 7,239	\$ 19,464	\$ 26,703	
	2018	2017	2016	2015
Property Valuations				
Land	\$ 34,721,060	\$ 33,667,220	\$ 34,071,770	\$ 29,829,130
Improvements	151,562,540	159,604,850	141,187,210	110,165,840
Personal Property	1,462,370	1,546,190	1,433,800	1,231,140
Exemptions	(3,479,664)	(9,616,906)	(5,257,562)	(7,416,730)
Total Property Valuations	\$ 184,266,306	\$ 185,201,354	\$ 171,435,218	\$ 133,809,380
Tax Rates per \$100 Valuation				
Maintenance tax rates	\$ 0.31	\$ 0.50	\$ 0.36	\$ 0.55
Debt service tax rates	0.94	0.75	0.89	0.70
Total Tax Rates per \$100 Valuation	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25
Adjusted Tax Levy	\$ 2,303,329	\$ 2,315,017	\$ 2,142,940	\$ 1,672,617
Percentage of Taxes Collected to Taxes Levied **	99.03%	99.84%	99.98%	99.99%

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.25 on September 13, 2003

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

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 140*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2007--by Years*  
*July 31, 2019*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
<u>2020</u>	<u>\$ 165,000</u>	<u>\$ 3,300</u>	<u>\$ 168,300</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 140*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2011--by Years*  
*July 31, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 100,000	\$ 10,400	\$ 110,400
2021	100,000	6,300	106,300
2022	100,000	2,100	102,100
	<u>\$ 300,000</u>	<u>\$ 18,800</u>	<u>\$ 318,800</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 140*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2013 Refunding--by Years*  
*July 31, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 95,000	\$ 54,315	\$ 149,315
2021	100,000	51,875	151,875
2022	105,000	48,987	153,987
2023	105,000	45,706	150,706
2024	110,000	42,214	152,214
2025	115,000	38,413	153,413
2026	115,000	34,389	149,389
2027	120,000	30,126	150,126
2028	130,000	25,439	155,439
2029	135,000	20,300	155,300
2030	140,000	14,800	154,800
2031	145,000	9,100	154,100
2032	155,000	3,100	158,100
	<u>\$ 1,570,000</u>	<u>\$ 418,764</u>	<u>\$ 1,988,764</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 140*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2015 Refunding--by Years*  
*July 31, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 40,000	\$ 134,046	\$ 174,046
2021	205,000	130,586	335,586
2022	215,000	124,653	339,653
2023	415,000	115,754	530,754
2024	430,000	103,819	533,819
2025	445,000	91,459	536,459
2026	460,000	78,676	538,676
2027	475,000	65,469	540,469
2028	495,000	51,768	546,768
2029	510,000	37,573	547,573
2030	530,000	22,883	552,883
2031	545,000	7,698	552,698
	<u>\$ 4,765,000</u>	<u>\$ 964,384</u>	<u>\$ 5,729,384</u>

See accompanying auditors' report.



*Fort Bend County Municipal Utility District No. 140*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2016--by Years*  
*July 31, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 300,000	\$ 149,687	\$ 449,687
2021	300,000	143,687	443,687
2022	300,000	136,187	436,187
2023	300,000	127,188	427,188
2024	300,000	118,187	418,187
2025	300,000	109,187	409,187
2026	300,000	100,188	400,188
2027	300,000	91,187	391,187
2028	300,000	82,188	382,188
2029	300,000	73,188	373,188
2030	300,000	64,188	364,188
2031	300,000	55,187	355,187
2032	265,000	46,381	311,381
2033	305,000	37,119	342,119
2034	310,000	26,931	336,931
2035	310,000	16,275	326,275
2036	310,000	5,425	315,425
	<u>\$ 5,100,000</u>	<u>\$ 1,382,380</u>	<u>\$ 6,482,380</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 140*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2016A--by Years*  
*July 31, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 80,000	\$ 49,675	\$ 129,675
2021	100,000	47,875	147,875
2022	100,000	45,375	145,375
2023	100,000	42,375	142,375
2024	100,000	39,375	139,375
2025	100,000	36,375	136,375
2026	100,000	33,375	133,375
2027	100,000	30,375	130,375
2028	100,000	27,375	127,375
2029	100,000	24,375	124,375
2030	100,000	21,375	121,375
2031	100,000	18,375	118,375
2032	100,000	15,250	115,250
2033	100,000	12,000	112,000
2034	100,000	8,688	108,688
2035	100,000	5,250	105,250
2036	100,000	1,750	101,750
	<u>\$ 1,680,000</u>	<u>\$ 459,238</u>	<u>\$ 2,139,238</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 140*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2017 Refunding--by Years*  
*July 31, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 185,000	\$ 113,100	\$ 298,100
2021	190,000	109,350	299,350
2022	190,000	104,600	294,600
2023	110,000	100,100	210,100
2024	110,000	96,800	206,800
2025	105,000	93,575	198,575
2026	105,000	89,900	194,900
2027	105,000	85,700	190,700
2028	105,000	81,500	186,500
2029	105,000	77,300	182,300
2030	100,000	73,200	173,200
2031	100,000	69,200	169,200
2032	705,000	53,100	758,100
2033	730,000	24,400	754,400
2034	125,000	7,300	132,300
2035	120,000	2,400	122,400
	<u>\$ 3,190,000</u>	<u>\$ 1,181,525</u>	<u>\$ 4,371,525</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 140*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2018--by Years*  
*July 31, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 175,000	\$ 198,887	\$ 373,887
2021	175,000	193,637	368,637
2022	175,000	187,512	362,512
2023	175,000	180,512	355,512
2024	175,000	173,512	348,512
2025	175,000	165,637	340,637
2026	175,000	158,638	333,638
2027	175,000	153,388	328,388
2028	175,000	148,138	323,138
2029	175,000	142,778	317,778
2030	175,000	137,200	312,200
2031	175,000	131,513	306,513
2032	175,000	125,716	300,716
2033	245,000	118,475	363,475
2034	525,000	105,000	630,000
2035	525,000	86,625	611,625
2036	525,000	67,922	592,922
2037	525,000	48,891	573,891
2038	525,000	29,531	554,531
2039	525,000	9,844	534,844
	<u>\$ 5,670,000</u>	<u>\$ 2,563,356</u>	<u>\$ 8,233,356</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 140*  
*TSI-5. Long-Term Debt Service Requirements*  
*All Bonded Debt Series--by Years*  
*July 31, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 1,140,000	\$ 713,410	\$ 1,853,410
2021	1,170,000	683,310	1,853,310
2022	1,185,000	649,414	1,834,414
2023	1,205,000	611,635	1,816,635
2024	1,225,000	573,907	1,798,907
2025	1,240,000	534,646	1,774,646
2026	1,255,000	495,166	1,750,166
2027	1,275,000	456,245	1,731,245
2028	1,305,000	416,408	1,721,408
2029	1,325,000	375,514	1,700,514
2030	1,345,000	333,646	1,678,646
2031	1,365,000	291,073	1,656,073
2032	1,400,000	243,547	1,643,547
2033	1,380,000	191,994	1,571,994
2034	1,060,000	147,919	1,207,919
2035	1,055,000	110,550	1,165,550
2036	935,000	75,097	1,010,097
2037	525,000	48,891	573,891
2038	525,000	29,531	554,531
2039	525,000	9,844	534,844
	<u>\$ 22,440,000</u>	<u>\$ 6,991,747</u>	<u>\$ 29,431,747</u>

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 140**  
**TSI-6. Change in Long-Term Bonded Debt**  
**July 31, 2019**

	Bond Issue			
	Series 2007	Series 2007A	Series 2011	Series 2013 Refunding
Interest rate	4.10% - 6.00%	4.05% - 6.00%	3.25% - 5.25%	2.00% - 4.00%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/08 - 9/1/20	9/1/09 - 9/1/19	9/1/12 - 9/1/22	9/1/13 - 9/1/31
Beginning bonds outstanding	\$ 320,000	\$ 160,000	\$ 400,000	\$ 1,660,000
Bonds issued				
Bonds retired	<u>(155,000)</u>	<u>(160,000)</u>	<u>(100,000)</u>	<u>(90,000)</u>
Ending bonds outstanding	<u>\$ 165,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 1,570,000</u>
Interest paid during fiscal year	<u>\$ 9,700</u>	<u>\$ 3,400</u>	<u>\$ 14,275</u>	<u>\$ 56,344</u>

Paying agent's name and city

Series 2007 & 2007A	Wells Fargo Bank, N.A., Houston, TX
Series 2011 & 2013R	Wells Fargo Bank, N.A., Fort Worth, TX
Series 2015R	Wells Fargo Bank, N.A., Dallas, TX
Series 2016 & 2016A	Wells Fargo Bank, N.A., Minneapolis, MN
Series 2017R & 2018	The Bank of New York Mellon Trust Company, N.A., Dallas, TX

Bond Authority:	Water, Sewer and		
	Drainage Bonds	Park Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 27,500,000	\$ 8,000,000	\$ 35,500,000
Amount Issued	<u>(25,110,000)</u>	<u>(1,825,000)</u>	<u>(445,000)</u>
Remaining To Be Issued	<u>\$ 2,390,000</u>	<u>\$ 6,175,000</u>	<u>\$ 35,055,000</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 July 31, 2019:	<u>\$ 2,457,066</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 1,471,587</u>

See accompanying auditors' report.

Bond Issue					
Series 2015 Refunding	Series 2016	Series 2016A	Series 2017 Refunding	Series 2018	Totals
2.825%	2.00% - 3.50%	2.00% - 3.50%	2.00% - 4.00%	3.00% - 5.00%	
9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1	
9/1/15 - 9/1/30	9/1/17 - 9/1/35	9/1/17 - 9/1/35	9/1/18 - 9/1/34	9/1/19 - 9/1/38	
\$ 4,800,000	\$ 5,400,000	\$ 1,755,000	\$ 3,210,000	\$ -	\$ 17,705,000
				5,670,000	5,670,000
(35,000)	(300,000)	(75,000)	(20,000)		(935,000)
<u>\$ 4,765,000</u>	<u>\$ 5,100,000</u>	<u>\$ 1,680,000</u>	<u>\$ 3,190,000</u>	<u>\$ 5,670,000</u>	<u>\$ 22,440,000</u>
<u>\$ 135,106</u>	<u>\$ 155,687</u>	<u>\$ 51,225</u>	<u>\$ 115,150</u>	<u>\$ 83,964</u>	<u>\$ 624,851</u>

**Fort Bend County Municipal Utility District No. 140**

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

**For the Last Five Fiscal Years**

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Water service	\$ 356,553	\$ 376,770	\$ 361,693	\$ 316,414	\$ 250,121
Sewer service	328,763	324,428	305,489	257,149	226,347
Property taxes	569,153	873,515	620,096	735,974	519,158
Penalties and interest	39,604	6,777	883	28,972	23,167
Reimbursement from City of Richmond	258,447				
Garbage service	302,358	198,523	187,191	156,513	143,617
Tap connection and inspection	53,505	130,873	115,729	187,563	168,838
Fire protection	289,488	256,741	243,300	208,148	179,928
Groundwater reduction plan	177,223	167,411	155,978	132,249	89,369
Miscellaneous	5,650	5,805	3,500	2,310	3,978
Investment earnings	48,415	29,430	10,149	3,590	1,328
Total Revenues	<u>2,429,159</u>	<u>2,370,273</u>	<u>2,004,008</u>	<u>2,028,882</u>	<u>1,605,851</u>
Expenditures					
Current service operations					
Purchased services	494,815	649,029	629,874	554,938	438,910
Professional fees	426,775	480,543	185,356	143,749	116,713
Contracted services	677,679	574,060	528,042	510,999	448,166
Repairs and maintenance	138,063	137,948	138,910	174,324	322,390
Groundwater reduction plan	169,815	167,313	161,925	158,615	76,207
Utilities	7,266	7,771	7,794	7,483	7,536
Administrative	45,757	40,553	41,176	37,158	31,282
Other	12,774	40,834	4,535	1,565	5,482
Capital outlay	114,059		83,179		
Interest					
Intergovernmental					
Capital contribution					3,476
Total Expenditures	<u>2,087,003</u>	<u>2,098,051</u>	<u>1,780,791</u>	<u>1,588,831</u>	<u>1,450,162</u>
Revenues Over/(Under) Expenditures	<u>\$ 342,156</u>	<u>\$ 272,222</u>	<u>\$ 223,217</u>	<u>\$ 440,051</u>	<u>\$ 155,689</u>

\*Percentage is negligible

See accompanying auditors' report.



Percent of Fund Total Revenues

2019	2018	2017	2016	2015
15%	16%	18%	16%	16%
14%	14%	15%	13%	14%
23%	37%	31%	36%	32%
2%	*	*	1%	1%
11%				
12%	8%	9%	8%	9%
2%	6%	6%	9%	11%
12%	11%	12%	10%	11%
7%	7%	8%	7%	6%
*	*	*	*	*
1%	1%	1%	*	*
99%	100%	100%	100%	100%

20%	27%	31%	27%	27%
18%	20%	9%	7%	7%
28%	24%	26%	25%	28%
6%	6%	7%	9%	20%
7%	7%	8%	8%	5%
*	*	*	*	*
2%	2%	2%	2%	2%
1%	2%	*	*	*
5%		4%		
				*
87%	88%	87%	78%	89%
12%	12%	13%	22%	11%

**Fort Bend County Municipal Utility District No. 140**

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

**For the Last Five Fiscal Years**

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 1,723,950	\$ 1,431,177	\$ 1,525,923	\$ 939,716	\$ 963,012
Penalties and interest	13,098	8,784	7,870	9,278	6,929
Accrued interest on bonds sold			8,480		
Investment earnings	42,423	25,216	10,497	2,520	1,624
Total Revenues	<u>1,779,471</u>	<u>1,465,177</u>	<u>1,552,770</u>	<u>951,514</u>	<u>971,565</u>
Expenditures					
Tax collection services	38,679	35,331	31,560	23,937	23,484
Debt service					
Principal	935,000	890,000	505,000	495,000	440,000
Interest and fees	618,635	560,215	461,735	411,945	511,219
Debt issuance cost		141,903		874	122,847
Payment to refunded bond escrow agent		75,000			
Total Expenditures	<u>1,592,314</u>	<u>1,702,449</u>	<u>998,295</u>	<u>931,756</u>	<u>1,097,550</u>
Revenues Over/(Under) Expenditures	<u>\$ 187,157</u>	<u>\$ (237,272)</u>	<u>\$ 554,475</u>	<u>\$ 19,758</u>	<u>\$ (125,985)</u>
Total Active Retail Water Connections	<u>859</u>	<u>840</u>	<u>787</u>	<u>727</u>	<u>611</u>
Total Active Retail Wastewater Connections	<u>843</u>	<u>816</u>	<u>761</u>	<u>711</u>	<u>578</u>

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
97%	98%	98%	99%	99%
1%	1%	1%	1%	1%
		*		
2%	1%	1%	*	*
100%	100%	100%	100%	100%
2%	2%	2%	3%	2%
53%	61%	33%	52%	45%
35%	38%	30%	43%	53%
	10%		*	13%
	5%			
90%	116%	65%	98%	113%
10%	(16%)	35%	2%	(13%)

**Fort Bend County Municipal Utility District No. 140**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended July 31, 2019**

Complete District Mailing Address: 2277 Plaza Drive, Suite 280, Sugar Land, Texas 77479  
District Business Telephone Number: (281) 313-2213  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): November 27, 2018  
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
David Smith	02/18 to 05/22	\$ 3,000	\$ -	President
Gene Tomas	09/17 to 05/22	2,250		Vice President
Barry Waites	07/18 to 05/20	3,900	848	Assistant Vice President
Suzan Orr	02/18 to 05/20	2,850		Secretary
Feryal Abdulkadar	10/18 to 5/20	2,100		Director
Janice Suchyta	09/17 to 10/18	300		Former President
<b>Consultants</b>				
Jeanne H. McDonald, P.C.	07/03	\$ 122,746		Attorney
City of Richmond		1,585,181		Operator
McLennan & Associates, LP	04/04	25,251		Bookkeeper
Utility Tax Service	04/04	12,461		Tax Collector
Fort Bend Central Appraisal District	Legislation	17,716		Property Valuation
Costello, Inc.	07/03	63,693		Engineer
McGrath & Co., PLLC	Annually	11,750		Auditor
Masterson Advisors, LLC	04/18	110,158		Financial Advisor
Perdue, Brandon, Fielder, Collins, & Mott, LLP	03/05	6,344		Delinquent Tax Attorney

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

**APPENDIX B**

**Specimen Municipal Bond Insurance Policy**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIMEN

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN