

OFFICIAL STATEMENT DATED MAY 5, 2021

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 "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

**NEW ISSUE – Book Entry Only**

**RATINGS: Moody's Investors Service, Inc. (Underlying) ..... "A2"**  
**Moody's Investors Service, Inc. (AGM Insured) ..... "A2"**  
**S&P Global Ratings (AGM Insured) ..... "AA"**  
See "MUNICIPAL BOND INSURANCE" and "RATINGS"

**\$5,615,000**

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 149**

(A Political Subdivision of the State of Texas, located within Fort Bend County)

**UNLIMITED TAX REFUNDING BONDS, SERIES 2021**

**Dated: June 8, 2021**

**Due: September 1, as shown on inside cover**

**Interest Accrues From Date of Delivery**

The \$5,615,000 Fort Bend County Municipal Utility District No. 149 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds") are obligations of Fort Bend County Municipal Utility District No. 149 (the "District") and are not obligations of the State of Texas; the City of Missouri City, Texas; Fort Bend County, Texas; or any political subdivision or entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; the City of Missouri City, Texas; Fort Bend County, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Interest on the Bonds will accrue from the Date of Delivery and be payable on March 1 and September 1 of each year (each on "Interest Payment Date"), commencing September 1, 2021 until maturity or prior redemption. Principal of the Bonds is payable to the registered owner(s) of the Bonds (the "Bondholder(s)") at Regions Bank, an Alabama banking corporation, Houston, Texas, (the "Paying Agent" or the "Paying Agent/Registrar"), upon surrender of the Bonds for payment at maturity. Unless otherwise agreed between the Paying Agent and a Bondholder, interest on the Bonds is dated as of the Interest Payment Date and payable to each Bondholder, as shown on the records of the Paying Agent/Registrar on the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the "Record Date"). The Bonds will be issued only in fully registered form in the denomination of \$5,000 of principal amount, or any integral multiple thereof.

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 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 as described herein. See "THE BONDS – Book-Entry-Only System."

**See "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS" on inside cover.**

The scheduled payment of principal and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**



The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District.

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered, when, as and if issued by the District and accepted by the Underwriter, subject to the approval of the Attorney General of Texas and of 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, Underwriter's Counsel. Delivery of the Bond, through the facilities of DTC, is expected on or about June 8, 2021.

**SAMCO CAPITAL**

**PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS**

**\$5,615,000 Unlimited Tax Refunding Bonds, Series 2021**

**\$4,900,000 Serial Bonds**

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 34682P (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 34682P (b)
2022	\$ 35,000	3.000%	0.340%	EA2	2029 (c)	\$ 375,000	2.000%	1.330%	EH7
2023	300,000	3.000%	0.370%	EB0	2030 (c)	390,000	2.000%	1.470%	EJ3
2024	310,000	3.000%	0.580%	EC8	2031 (c)	395,000	2.000%	1.560%	EK0
2025	330,000	3.000%	0.730%	ED6	2032 (c)	410,000	2.000%	1.660%	EL8
2026	345,000	3.000%	0.930%	EE4	2033 (c)	420,000	2.000%	1.750%	EM6
2027 (c)	355,000	3.000%	1.100%	EF1	2034 (c)	430,000	2.000%	1.800%	EN4
2028 (c)	365,000	2.000%	1.250%	EG9	2035 (c)	440,000	2.000%	1.850%	EP9

**\$715,000 Term Bonds**

\$715,000 Term Bonds Due September 1, 2037 (c)(d), Interest Rate: 2.000% (Price: \$100.000) (a), CUSIP No. 34682P ER5 (b)

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the yield resulting when priced to maturity. Accrued interest from the Date of Delivery is to be added to the price of the Bonds.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Service Bureau, managed by S&P Global Market Intelligence LLC on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2027, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2026, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*."
- (d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

**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 representations must not be relied upon as having been authorized by the District or the Underwriter.

All of the summaries of the statutes, resolutions, orders, contracts, audits, 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 Bond Counsel upon payment of duplication costs, for further information.

This Official Statement is not to be used in connection with 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.

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading “MUNICIPAL BOND INSURANCE” and “APPENDIX B – SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

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. 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 such information actually comes to its attention, the other matters described in this Official Statement, until delivery of the Bonds to the Underwriter and thereafter only as specified in “OFFICIAL STATEMENT - Updating of Official Statement.”

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purposes.

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## SALE AND DISTRIBUTION OF THE BONDS

### Underwriting

SAMCO Capital Markets, Inc. (referred to herein as the "Underwriter") has agreed to purchase the Bonds from the District for \$5,777,318.67 (being the par amount of the Bonds, plus a net original issue premium on the Bonds of \$209,553.10, and less an underwriter's discount of \$47,234.43). The Underwriter's obligation is to purchase all of the Bonds, if any Bonds are purchased.

### Prices and Marketability

Subject to certain restrictions, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-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 which stabilize or maintain the market prices of the Bonds at levels above those which 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 assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked prices of the Bonds may be greater than the difference between the bid and asked prices 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 Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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 acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any 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 should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

## MUNICIPAL BOND INSURANCE

### Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") 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 an appendix 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.

### Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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 relevant insurance policy), and does not

guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### *Current Financial Strength Ratings*

On October 29, 2020, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 16, 2020, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

#### *Capitalization of AGM*

At March 31, 2021:

- The policyholders' surplus of AGM was approximately \$2,805 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$959 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,121 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

#### *Merger of MAC into AGM*

On April 1, 2021, MAC was merged into AGM, with AGM as the surviving company. Prior to that merger transaction, MAC was an indirect subsidiary of AGM (which indirectly owned 60.7% of MAC) and AGM's affiliate, Assured Guaranty Corp., a Maryland-domiciled insurance company ("AGC") (which indirectly owned 39.3% of MAC). In connection with the merger transaction, AGM and AGC each reassumed the remaining outstanding par they ceded to MAC in 2013, and AGC sold its indirect share of MAC to AGM. All of MAC's direct insured par exposures have become insured obligations of AGM.

#### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "MUNICIPAL BOND INSURANCE - Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through

incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

*Miscellaneous Matters*

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE".

**RATINGS**

The Bonds have received an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

The Bonds have received an insured rating of "A2" from Moody's solely in reliance upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Bonds. Moody's has also assigned an underlying credit rating of "A2" to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by Moody's, 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.

The District is not aware of any rating assigned to the Bonds other than the insured rating of S&P, the insured rating of Moody's, or the underlying rating of Moody's.

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**OFFICIAL STATEMENT SUMMARY**

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

**HURRICANE HARVEY (2017)**

Hurricane Harvey Flooding..... The Houston area, including Fort Bend County, sustained widespread rain and flood damage as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, causing historic levels of rainfall during the succeeding four days. According to Si Environmental, the operators for Fort Bend County Municipal Utility District No. 149 (the "District"), the District's water and sanitary sewer system did not sustain any significant damage and there was no interruption of service. However, according to estimates by the District's Engineer, approximately 570 homes within the District representing approximately 48% of the total homes within the District experienced flooding or other damage as a result of Hurricane Harvey. District residents reported flooding in houses ranging from a few inches to two feet.

The flooding within the District was caused by record levels of rainfall in the Steep Bank Creek watershed. Steep Bank Creek is the principal drainage outflow for the District. The District contains 97.84 acres within Fort Bend County LID No. 15 ("LID 15") and the balance is located in Fort Bend County Levee Improvement District No. 19 ("LID 19"), which also serves areas outside the District. LID 19 has constructed and maintains a levee that protects property in the District from the Brazos River at flood stage. LID 19 provides storm water drainage within the District by a gravity outfall system and pump station that pumps excess storm water into the Brazos River from the Steep Bank Creek watershed. While the pumps operated as designed throughout Hurricane Harvey, because of the historic rainfall levels, the pumps were unable to remove sufficient storm water caused by Hurricane Harvey, resulting in flooding in portions of the District.

LID 19 has completed the watershed modeling of Steep Bank Creek to better prepare for and plan for improvements to the drainage system within the District. Additionally, construction of the expansion to the Steep Bank Pump Station is underway. The expansion adds 3x 50,000 gallon per minute pumps to the 80,000 gallon per minute existing pump station. The project began construction in April of 2021 with expected completion by the second quarter of 2022. The completion of the construction will provide a total of 230,000 gallons per minute of pumping capacity within the watershed. In the interim, LID 19 and a neighboring levee improvement district have purchased 81,000 gallons per minute of diesel-powered mobile pumps to provide additional pumping capacity in the watershed.

**THE BONDS**

The Issuer ..... Fort Bend County Municipal Utility District No. 149 (the "District"), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See "THE DISTRICT."

The Issue ..... The \$5,615,000 Fort Bend County Municipal Utility District No. 149 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds"), are dated June 8, 2021, and bear interest at the rates set forth on the inside cover page hereof. The Bonds are scheduled to mature serially on September 1 in each year 2022 through 2035, inclusive and as term bonds (the "Term Bonds") on September 1, 2037. Interest accrues from the Date of Delivery, and is payable September 1, 2021, and each September 1 and March 1 thereafter until stated maturity or prior redemption. See "THE BONDS."

Redemption of the Bonds..... Bonds maturing on and after September 1, 2027, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2026, and on any date thereafter at a price of par plus accrued



interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*."

The Term Bonds are subject to the mandatory redemption provisions set out herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

Book Entry Only .....	The Depository Trust Company ("DTC"), New York, New York, 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 certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See "THE BONDS - Book-Entry Only System."
Source of Payment.....	Principal and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limitation as to rate or amount. <b>The Bonds are obligations solely of the District and are not obligations of the State of Texas; Fort Bend County, Texas; the City of Missouri City, Texas; or any other political subdivision or entity other than the District.</b> See "THE BONDS - Source of Payment."
Authority for Issuance.....	<p>The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54 of Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended, (ii) an election held within the District, as referenced below, (iii) a resolution (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), (iv) approval certificate executed by authorized representative of the Board, and (v) Bond Purchase Agreement. Before the Bonds can be issued the Attorney General of Texas must pass upon the legality of the Bonds. 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.</p> <p>At a bond election held within the District on November 6, 2007, the voters authorized the issuance of \$63,400,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer, and drainage facilities (the "System") and for refunding such bonds. The District has previously issued four series of unlimited tax bonds for the purpose of acquiring or constructing the System. The Bonds constitute the first issuance of bonds for refunding purposes. After the sale of the Bonds, a total of \$35,445,000 in principal amount of unlimited tax bonds for acquiring or financing the System and refunding such bonds will remain authorized but unissued. See "THE BONDS - Issuance of Additional Debt."</p>
Qualified Tax-Exempt Obligations.....	The District has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations."
Use of Proceeds.....	The proceeds of the Bonds and lawfully available debt service funds of the District will be applied to pay certain costs incurred in connection with the issuance of the Bonds and to refund \$1,860,000 principal amount of the District's \$2,500,000 Unlimited Tax Bonds, Series 2011 (the "Series 2011 Refunded Bonds"), and \$3,705,000 principal amount of the District's \$5,000,000 Unlimited Tax Bonds, Series 2013 (the "Series 2013 Refunded Bonds" and collectively, the "Refunded Bonds"). The refunding of the Refunded Bonds is expected to result in an annual and net present value savings in the District's current annual debt service requirements. See "PLAN OF FINANCING."
Remaining Outstanding Bonds.....	The District has previously issued four series of unlimited tax bonds for the purpose of acquiring or constructing the System: \$2,500,000 Unlimited Tax Bonds, Series 2011; \$5,000,000 Unlimited Tax Bonds, Series 2013;

\$11,450,000 Unlimited Tax Bonds, Series 2014; and \$8,955,000 Unlimited Tax Bonds, Series 2015. Of such bonds, \$17,825,000 principal amount will remain outstanding as of July 1, 2021 (the "Remaining Outstanding Bonds"). See "THE BONDS – Outstanding Bonds."

Municipal Bond Insurance.....	Assured Guaranty Municipal Corp. ("AGM"). See "MUNICIPAL BOND INSURANCE."
Ratings .....	S&P Global Ratings (AGM Insured): "AA." Moody's Investors Service, Inc. (AGM Insured): "A2." Moody's Investors Service, Inc. (Underlying): "A2." See "RATINGS."
Payment Record .....	The District has never defaulted on the payment of principal or interest on its previously issued bonds.
Bond Counsel .....	The Muller Law Group, PLLC, Sugar Land, Texas. See "LEGAL MATTERS."
Financial Advisor .....	Robert W. Baird & Co. Incorporated, Houston, Texas.
Underwriter's Counsel .....	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Engineer .....	Costello, Inc., Houston, Texas.
Verification Agent.....	Robert Thomas CPA LLC, Minneapolis, Minnesota.
Paying Agent .....	Regions Bank, an Alabama banking corporation, Houston, Texas
Escrow Agent.....	The Bank of New York Mellon Trust Company, Dallas, Texas.

**THE DISTRICT**

Description.....	The District, a political subdivision of the State of Texas, created by an Order of the Texas Commission on Environmental Quality ("TCEQ" or "Commission"), dated August 21, 2007, is located within the extraterritorial jurisdiction ("ETJ") of the City of Missouri City. The District encompasses approximately 756 acres. The District is approximately 21 miles southwest of the central business district of Houston. Its borders consist of Hageron Road and Knights Court to the north and Flat Bank Creek to the east and south. Access to the District is provided by LJ Parkway and Thompson's Ferry Road. The District operates under Chapter 54 and Chapter 49 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. See "THE DISTRICT."
Riverstone .....	The District is part of the approximately 3,860-acre master planned community known as "Riverstone." Other special districts within Riverstone include Fort Bend County Municipal Utility District No. 115, Fort Bend County Municipal Utility District No. 128, Fort Bend County Municipal Utility District No. 129, Fort Bend County Levee Improvement District No. 15 and Fort Bend County Levee Improvement District No. 19. Riverstone includes single family, townhome, institutional (churches, schools, etc.) and commercial development. Development of Riverstone began in 2001 in the adjacent Fort Bend County Municipal Utility District No. 115 ("MUD 115"), which is not in the District. Riverstone is ultimately projected to include 5,000 homes as well as commercial development and recreation facilities. Recreational amenities within Riverstone include three recreation centers consisting of a pool and playground, as well as a dog park, a tennis court and a fishing pier for use by Riverstone residents.
Development within the District.....	Approximately 358.7 acres of land within the District have been developed as the single-family residential subdivisions of Shadow Glen, Sections 1-6 (87.9 acres, 274 lots); Orchard, Sections 1-3 (40.0 acres, 88 lots); Sweetbriar, Sections 1-4 (51.5 acres, 191 lots); Millwood Sections 1-4 (70.3 acres, 265 lots); Stonebrook Section 1 and 2 (48.2 acres, 178 lots); and Avalon, Sections 1 and 2 (60.8 acres, 160 lots). Single family residential development is complete and homes have been constructed on all lots with the exception of the Avalon sections. Approximately 37 acres of land within the District remains to be developed. The District plans to begin development of the remaining acreage in the second quarter of 2021 as the single-family residential subdivisions of Avalon, Section 3 and 4. Single

family residential development within Avalon Sections 1 and 2 as of April 1, 2021, consists of 20 completed and occupied homes, 0 completed and unoccupied homes, 55 homes in various stages of construction, 2 model homes and 83 vacant lots. The remaining approximately 360 acres of the District consists of street right of way, levee property or undevelopable property outside of the levee. See "DEVELOPMENT WITHIN THE DISTRICT."

**INFECTIOUS DISEASE OUTBREAK – COVID-19**

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. As described herein under "INVESTMENT CONSIDERATIONS – Infectious Disease Outbreak – 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 area of Missouri City 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.

While the potential impact of the Pandemic 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 partially 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.

Investment Considerations..... THE DISTRICT'S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT, THE MAINTENANCE OF TAXABLE VALUES FOR DEVELOPED PROPERTY, AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON.

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

**SUMMARY OF SELECTED FINANCIAL INFORMATION  
(UNAUDITED)**

2020 Certified Assessed Valuation.....	\$ 502,079,242 (a)
See "SELECTED FINANCIAL INFORMATION" and "TAXING PROCEDURES."	
2021 Preliminary Assessed Valuation.....	\$ 516,244,088 (b)
See "SELECTED FINANCIAL INFORMATION" and "TAXING PROCEDURES."	
Direct Debt:	
The Remaining Outstanding Bonds (as of July 1, 2021) .....	\$ 17,825,000
The Bonds.....	<u>5,615,000</u>
Total.....	\$ 23,440,000
Estimated Overlapping Debt .....	<u>\$ 44,245,195 (c)</u>
Total Direct and Estimated Overlapping Debt.....	<u>\$ 67,685,195</u>
Direct Debt Ratios:	
As a percentage of the 2020 Certified Assessed Valuation.....	4.67 %
As a percentage of the 2021 Preliminary Assessed Valuation.....	4.54 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of the 2020 Certified Assessed Valuation.....	13.48 %
As a percentage of the 2021 Preliminary Assessed Valuation.....	13.11 %
Debt Service Fund (as of March 22, 2021) .....	\$ 2,635,972 (d)
General Fund (as of March 22, 2021).....	\$ 4,925,605
Capital Projects Fund (as of March 22, 2021).....	\$ 87,457
2020 Tax Rate per \$100 of Assessed Valuation	
Debt Service.....	\$ 0.36
Maintenance .....	<u>0.09</u>
Total .....	\$ 0.45
Average Annual Debt Service Requirements	
on the Remaining Outstanding Bonds and the Bonds (2021-2040).....	\$ 1,567,293 (e)
Maximum Annual Debt Service Requirements	
on the Remaining Outstanding Bonds and the Bonds (2037).....	\$ 1,736,700 (e)
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual	
Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds	
(2021-2040) at 95% Tax Collections	
Based Upon the 2020 Certified Assessed Valuation (\$502,079,242).....	\$ 0.33
Based Upon the 2021 Preliminary Assessed Valuation (\$516,244,088).....	\$ 0.32
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual	
Debt Service Requirements on the Remaining Outstanding Bonds and	
the Bonds (2037) at 95% Tax Collections	
Based Upon the 2020 Certified Assessed Valuation (\$502,079,242).....	\$ 0.37
Based Upon the 2021 Preliminary Assessed Valuation (\$516,244,088).....	\$ 0.36
Number of Single-Family Homes as of April 1, 2021.....	1,156 (f)
(including 55 homes under construction)	

- (a) Certified Taxable Assessed Value within the District as of January 1, 2020, as provided by the Fort Bend Central Appraisal District ("FBCAD").
- (b) Provided by the Appraisal District for informational purposes only. This amount represents the preliminary determination of the assessed valuation of all taxable property within the District as of January 1, 2021. No taxes will be levied upon this value, which is subject to protest by landowners. The value will be certified by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board") and taxes will be levied on the certified value.
- (c) See "SELECTED FINANCIAL INFORMATION – Estimated Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund.
- (e) Requirements of debt service on the Remaining Outstanding Bonds and the Bonds. See "DEBT SERVICE SCHEDULE."
- (f) Approximately 1,016 homes are occupied.

## OFFICIAL STATEMENT

relating to

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 149**  
**(A Political Subdivision of the State of Texas, located within Fort Bend County)**

**\$5,615,000**  
**UNLIMITED TAX REFUNDING BONDS**  
**SERIES 2021**

### INTRODUCTION

This Official Statement of Fort Bend County Municipal Utility District No. 149 (the "District") is provided to furnish information with respect to the issuance by the District of its \$5,615,000 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds").

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54 of Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended, (ii) an election held within the District, as referenced below, (iii) a resolution (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), and (iv) an approval certificate executed by authorized representative of the Board.

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

This Official Statement contains descriptions of the Bonds, the Bond Resolution and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from The Muller Law Group, PLLC, 202 Century Square Boulevard, Sugar Land, Texas 77478, upon payment of the costs of duplication thereof. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

### THE BONDS

#### General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution authorizing the issuance of the Bonds. A copy of the Bond Resolution may be obtained from the District upon written request made to The Muller Law Group, PLLC.

The \$5,615,000 Fort Bend County Municipal Utility District No. 149 Unlimited Tax Refunding Bonds, Series 2021, are dated June 8, 2021, with interest payable September 1, 2021, and each March 1 and September 1 (each an "Interest Payment Date") thereafter until maturity or prior redemption. The Bonds are scheduled to mature on September 1 of each of the years 2022 through 2035, inclusive and as term bonds (the "Term Bonds") on September 1, 2037. Principal of the Bonds will be payable to the registered owners (the "Registered Owners") at maturity upon presentation at the principal payment office of the Paying Agent/Registrar, initially Regions Bank, an Alabama banking corporation, Houston, Texas, (the "Paying Agent/Registrar"). Interest on the Bonds will be payable dated as of the Interest Payment Date and disbursed to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date").

#### Paying Agent/Registrar

The initial Paying Agent/Registrar is Regions Bank, an Alabama banking corporation, Houston, Texas. The Bonds are being issued in fully registered form in integral multiples of \$5,000 of principal amount. Interest on the Bonds will be payable semiannually by the Paying Agent/Registrar by check mailed on each Interest Payment Date by the Paying Agent/Registrar to the Registered Owners at the last known address as it appears on the Paying Agent/Registrar's books on the Record Date.

#### Book-Entry-Only System

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

*The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and 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 procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (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 required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC. If however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world’s largest securities 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 3.5 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 purchase 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments 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 Issuer or 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, Agent or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or 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 Issuer or 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-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

#### **Use of Certain Terms in Other Sections of this Official Statement**

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to registered owners under the Bond Resolution will be given only to DTC.

#### **Source of Payment**

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any unlimited tax bonds hereafter issued. The Bonds are obligations of the District and are not the obligations of the State of Texas; Fort Bend County, Texas (the "County"); the City of Missouri City, Texas (the "City"); or any other political subdivision or any entity other than the District.

#### **Authority for Issuance**

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54 of Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended, (ii) an election held within the District, as referenced below, (iii) a resolution (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), and (iv) an approval certificate executed by authorized representative of the Board. Before the Bonds can be issued the Attorney General of Texas must pass upon the legality of the Bonds. 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.

At a bond election held within the District on November 6, 2007, the voters authorized the issuance of \$63,400,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer, and drainage facilities (the "System") and for refunding such bonds. The District has previously issued four series of unlimited tax bonds for the purpose of acquiring or constructing the System. The Bonds constitute the first issuance of bonds for refunding purposes. After the sale of the Bonds, a total of \$35,445,000 in principal amount of unlimited tax bonds for acquiring or financing the System, and refunding such bonds will remain authorized but unissued.

#### **Funds**

The proceeds from all taxes levied, assessed and collected for and on account of the Bonds shall be deposited, as collected, in the District's Debt Service Fund and used only for the purpose of paying principal of and interest on the Bonds.

#### **No Arbitrage**

The District will certify, on the date of delivery of the Bonds, that based upon all facts and estimates now 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 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.

### **Annexation by the City of Missouri City and Strategic Partnership Agreement**

The District lies within the extraterritorial jurisdiction of the City of Missouri City (the “City”) and may be annexed by the City under certain circumstances. Under general law, with certain exceptions, annexation of land by the City is subject to three procedures that allow for annexation: (i) on request of a landowner; (ii) for areas with a population of less than 200, by petition of voters and, if voter petitioners do not own more than 50% of the land in the area, by petition of a majority of the property owners in the area; or (iii) for areas with a population of 200 or more, by election of voters and, if voters do not own more than 50% of the land in the area, by petition of a majority of the property owners in the area. However, the foregoing provisions do not apply to areas that are subject to a Strategic Partnership Agreement under Section 43.0751, Texas Local Government Code.

The District and the City have previously entered into a Strategic Partnership Agreement, effective January 16, 2007 (“SPA”). Under the SPA, the City agreed not to annex the property in the District for full or limited purposes until 90% of the developable acreage within the District has been developed with water, wastewater, and drainage facilities and the developers within the District have been reimbursed by the District to the maximum extent permitted by the rules of the Commission, or the City assumes any obligation for such reimbursement.

Pursuant to the SPA, if the District is annexed, it will be dissolved within 120 days of annexation. Upon dissolution, the City will assume the District’s assets and obligations (including any outstanding Bonds). Annexation of property by the City is a policy-making matter within the discretion of the governing body of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

### **Consolidation**

Under Texas law, the District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one or more districts, although no consolidation is presently contemplated by the District.

### **Redemption of the Bonds**

#### *Optional Redemption*

The Bonds maturing on and after September 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 September 1, 2026, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption. The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the Registered Owner as herein above stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same series and maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption fewer than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District; if fewer than all of the Bonds of a particular maturity are to be redeemed, the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

#### *Mandatory Redemption*

The Bonds maturing on September 1, 2037 are term bonds (the “Term Bonds”) that shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only-form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Redemption Date”), on September 1 in each of the years and in the principal amounts set forth in the following schedules:



\$715,000 Term Bonds Maturing on September 1, 2037

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2036	\$ 450,000
September 1, 2037 (maturity)	265,000

The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the direction of the District, by the principal amount of any Term Bonds of such maturity which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the District with monies in the Debt Service Fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provision and not theretofore credited against a mandatory sinking fund redemption requirement.

**Registration, Transfer and Exchange**

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar in Houston, Texas. 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 Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Bondholder. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Bondholder or assignee of the Bondholder within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount or maturity amount (as applicable) for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

**Mutilated, Lost, Stolen or Destroyed Bonds**

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Registrar), bond printing and legal fees in connection with any such replacement.

**Successor Paying Agent/Registrar**

Provision is made in the Bond Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

**Issuance of Additional Debt**

The District may issue additional bonds, with the approval of the Commission, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT - General." After the issuance of the Bonds, the District will have \$35,445,000 unlimited tax bonds for facilities and for refunding such bonds, authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District. See "INVESTMENT CONSIDERATIONS - Future Debt."

In addition to the above-mentioned bonds, the District has the right to issue such additional tax bonds or combination tax and revenue bonds as may be hereafter approved by the voters of the District. The District also has the right to issue revenue notes, bond anticipation notes, and tax anticipation notes without the necessity of voter approval. In addition, the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such contracts, provided the provisions of the contract are approved by the voters of the District. The District further has the right to issue refunding bonds without additional voter approval.

According to the Developers, they are owed approximately \$5,579,538 for expenditures to construct the System. As the Developers continue to develop the land within the District, the Developers are expected to incur additional reimbursable expenditures that the District will owe to the Developers.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purposes by the qualified voters in the District; (b) approval of the master plan and bonds by the Commission; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. Fire protection to the District is provided pursuant to a Fire Protection Services Agreement between the District and the City of Missouri City.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park 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) preparation of a detailed park plan; (c) authorization of park bonds by the qualified voters in the District; (d) approval of the park project and bonds by the Commission; and (e) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

### **Remaining Outstanding Bonds**

The District has previously issued four series of unlimited tax bonds for the purpose of acquiring or constructing the System: \$2,500,000 Unlimited Tax Bonds, Series 2011; \$5,000,000 Unlimited Tax Bonds, Series 2013; \$11,450,000 Unlimited Tax Bonds, Series 2014; and \$8,955,000 Unlimited Tax Bonds, Series 2015. Of such bonds, \$17,825,000 principal amount will remain outstanding as of July 1, 2021 (the "Remaining Outstanding Bonds").

### **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, 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 noncallable 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.

### **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 un-matured 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 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.

#### **Registered Owners’ Remedies**

Pursuant to Texas law, the Bond Resolution provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee 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. The Texas Legislature has not waived the District’s immunity to a suit for money damages under the doctrine of governmental immunity. If Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District’s property. Sovereign immunity may prevent bondholders from bringing a suit for money damages. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited 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. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

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## PLAN OF FINANCING

### Use of Proceeds

The proceeds of the Bonds and lawfully available debt service funds of the District will be applied to pay certain costs incurred in connection with the issuance of the Bonds and to refund \$1,860,000 principal amount of the District's \$2,500,000 Unlimited Tax Bonds, Series 2011 (the "Series 2011 Refunded Bonds"), and \$3,705,000 principal amount of the District's \$5,000,000 Unlimited Tax Bonds, Series 2013 (the "Series 2013 Refunded Bonds" and collectively with the Series 2011 Refunded Bonds, the "Refunded Bonds"). The refunding of the Refunded Bonds is expected to result in an annual and net present value savings in the District's current annual debt service requirements.

Series 2011 Refunded Bonds		Series 2013 Refunded Bonds	
Principal Amount	Maturity Date	Principal Amount	Maturity Date
\$ 85,000	09/01/2023	\$ 180,000	09/01/2023 (c)
90,000	09/01/2024	185,000	09/01/2024 (d)
100,000	09/01/2025	195,000	09/01/2025 (d)
105,000	09/01/2026	205,000	09/01/2026 (e)
110,000	09/01/2027 (a)	215,000	09/01/2027 (e)
120,000	09/01/2028 (a)	220,000	09/01/2028 (f)
125,000	09/01/2029 (a)	230,000	09/01/2029 (f)
135,000	09/01/2030 (a)	245,000	09/01/2030 (g)
140,000	09/01/2031 (b)	255,000	09/01/2031 (g)
150,000	09/01/2032 (b)	265,000	09/01/2032 (g)
160,000	09/01/2033 (b)	275,000	09/01/2033 (h)
170,000	09/01/2034 (b)	290,000	09/01/2034 (h)
180,000	09/01/2035 (b)	300,000	09/01/2035 (h)
190,000	09/01/2036 (b)	315,000	09/01/2036 (h)
<u>-</u>	09/01/2037	<u>330,000</u>	09/01/2037 (h)
\$ 1,860,000		\$3,705,000	

Redemption Date: September 1, 2021

- (a) Represents a term bond in the total principal amount of \$490,000, scheduled to mature on September 1, 2030.  
 (b) Represents a term bond in the total principal amount of \$990,000, scheduled to mature on September 1, 2036.  
 (c) Represents a portion of a term bond term bond in the total principal amount of \$350,000, scheduled to mature on September 1, 2023.  
 (d) Represents a term bond in the total principal amount of \$380,000, scheduled to mature on September 1, 2025.  
 (e) Represents a term bond in the total principal amount of \$420,000, scheduled to mature on September 1, 2027.  
 (f) Represents a term bond in the total principal amount of \$450,000, scheduled to mature on September 1, 2029.  
 (g) Represents a term bond in the total principal amount of \$765,000, scheduled to mature on September 1, 2032.  
 (h) Represents a term bond in the total principal amount of \$1,510,000, scheduled to mature on September 1, 2037.

### Remaining Outstanding Bonds

The following table represents the previously issued bonds for the purpose of acquiring or constructing the System that will remain outstanding following the issuance of the Bonds.

	Original Principal Amount	Remaining Outstanding Principal Amount	Less: Refunded System Bonds	Remaining Outstanding Bonds
Unlimited Tax Bonds, Series 2011	\$ 2,500,000	\$ 2,020,000	\$ (1,860,000)	\$ 160,000
Unlimited Tax Bonds, Series 2013	5,000,000	4,040,000	(3,705,000)	335,000
Unlimited Tax Bonds, Series 2014	11,450,000	9,610,000	-	9,610,000
Unlimited Tax Bonds, Series 2015	<u>8,955,000</u>	<u>7,720,000</u>	<u>-</u>	<u>7,720,000</u>
	<u>\$ 27,905,000</u>	<u>\$ 23,390,000</u>	<u>\$ (5,565,000)</u>	<u>\$ 17,825,000</u>

**Escrow Agreement**

The District will enter into an escrow agreement (the “Escrow Agreement”) with The Bank of New York Mellon Trust Company, Dallas, Texas (the “Escrow Agent”), pursuant to which a portion of the proceeds of the Bonds, along with cash, and other investments authorized by Chapter 1207, Texas Government Code (the “Escrowed Securities”), will be deposited in an escrow fund (the “Escrow Fund”) and applied to provide for scheduled payment of principal of and interest on the Refunded Bonds until their maturity or prior redemption and to provide for payment of the redemption price of the Refunded Bonds on the redemption date. At the time of delivery of the Bonds, Robert Thomas CPA, LLC, will verify to the District, the Escrow Agent and the Underwriter that the maturing amounts of the Escrowed Securities, together with cash, if any, held in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.” Pursuant to the Escrow Agreement, the Escrow Fund is irrevocably pledged for the payment of principal of and interest on the Refunded Bonds.

**Defeasance of the Refunded Bonds**

By the deposit of proceeds of the Bonds and cash and securities with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the resolutions authorizing the issuance of the Refunded Bonds. As a result of such deposit, firm banking and financial arrangements under Texas law will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefore in such Escrow Agreement.

**Sources and Uses of Funds**

The proceeds from the sale of the Bonds and legally available debt service funds of the District will be applied as follows:

SOURCES OF FUNDS:	
Principal Amount of the Bonds.....	\$ 5,615,000.00
Net Premium .....	209,553.10
Debt Service Fund Transfer.....	<u>70,000.00</u>
Total Sources of Funds .....	\$ 5,894,553.10
USES OF FUNDS:	
Deposit to Escrow Account.....	\$ 5,681,015.00
Insurance Premium.....	18,763.15
Issuance Expenses and Underwriter’s Discount .....	<u>194,774.95</u>
Total Uses of Funds .....	\$ 5,894,553.10

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## THE DISTRICT

### General

Fort Bend County Municipal Utility District No. 149 (the "District") was created by order of the TCEQ, dated August 21, 2007, and by a confirmation election held within the District on November 6, 2007, and operates under Chapters 49 and 54 of the Texas Water Code, as amended, and other general laws of the State of Texas applicable to municipal utility districts.

The District encompasses approximately 756.05 acres.

### Location

The District is a political subdivision of the State of Texas, located within the extraterritorial jurisdiction of the City of Missouri City, Fort Bend County, Texas, approximately 21 miles southwest of the central business district of Houston. Its borders consist of Hagerson Road and Knights Court to the north and Flat Bank Creek to the east and south. Access to the District is provided by LJ Parkway and Thompson's Ferry Road.

### Authority

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. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste collection and disposal service and is empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters of the District and the Commission. The District has no plans to provide a fire department. The District is also empowered to establish parks and recreational facilities for the residents of the District.

## RIVERSTONE

The District is part of the approximately 3,860-acre master planned community known as "Riverstone." Other special districts within Riverstone include Fort Bend County Municipal Utility District No. 115, Fort Bend County Municipal Utility District No. 128, Fort Bend County Municipal Utility District No. 129, Fort Bend County Levee Improvement District No. 15 and Fort Bend County Levee Improvement District No. 19. Riverstone includes single family, townhome, institutional (churches, schools, etc.) and commercial development. Development of Riverstone began in 2001 in the adjacent Fort Bend County Municipal Utility District No. 115 ("MUD 115"), which is not in the District. Riverstone is ultimately projected to include 5,000 homes as well as commercial development and recreation facilities. Recreational amenities within Riverstone include three recreation centers consisting of a pool and playground, as well as a dog park, a tennis court and a fishing pier for use by Riverstone residents.

## DEVELOPMENT WITHIN THE DISTRICT

### Lot Sale Contracts

The Developers in the District have entered into various lot sale agreements in the District, including separate agreements with each of the homebuilders listed above. The lot sale agreements substantially provide for the sale of the developed lots in the District; however, the homebuilders in each case have limited their liability for failure to take down lots by deposit of earnest money, which is not generally sufficient to prevent the homebuilders from defaulting on the lot sale agreements if there is an adverse change in market conditions, nor have the Developers reached any agreement with the District for enforcement of any lot sale contract. Current lot sales contracts have earnest money provisions of \$500 per lot. According to the Developers, all of the builders are in compliance with their lot sales contracts.

### Status of Development

Approximately 358.7 acres of land within the District have been developed as the single-family residential subdivisions of Shadow Glen, Sections 1-6 (87.9 acres, 274 lots); Orchard, Sections 1-3 (40.0 acres, 88 lots); Sweetbriar, Sections 1-4 (51.5 acres, 191 lots); Millwood Sections 1-4 (70.3 acres, 265 lots); Stonebrook Section 1 and 2 (48.2 acres, 178 lots); and Avalon, Sections 1 and 2 (60.8 acres, 160 lots). Single family residential development is complete and homes have been constructed on all lots with the exception of the Avalon sections. Approximately 37 acres of land within the District remains to be developed. The District plans to begin development of the remaining acreage in the second quarter of 2021 as the single-family residential subdivisions of Avalon, Section 3 and 4. Single family residential development within Avalon Sections 1 and 2 as of April 1, 2021, consists of 20 completed and occupied homes, 0 completed and unoccupied homes, 55 homes in various stages of construction, 2 model homes and 83 vacant lots. The remaining approximately 360 acres of the District consists of street right of way, levee property or undevelopable property outside of the levee.

### Homebuilders

Taylor Morrison of Texas, Inc. is the sole homebuilder within the District. Homes range in price from approximately \$474,990 to approximately \$544,990.

## Future Development

The District contains approximately 37 undeveloped but developable acres, all of which are available for single-family residential use. 19.8 acres are currently planned for development for Avalon at Riverstone Section 3 in the second quarter of 2021 which will add an additional 70 lots upon completion. The District can make no representation that any future development will occur within the District. In the event that future development does occur in the District, it is anticipated that the development costs will be financed through the sale of future bond issues.

## MANAGEMENT OF THE DISTRICT

The District is governed by a board, consisting of five directors, which has control over and management and supervision of all affairs of the District. Directors serve staggered four year terms, with elections held within the District on the second Saturday in May in each even numbered year.

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Susan Winters	President	05/2022
Ray Aguilar	Vice President	05/2024
Rose Herbst	Secretary/Treasurer	05/2022
Laura Thompson	Assistant Vice President	05/2022
Kristi McLeod	Assistant Secretary	05/2024

## Investment Policy

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation ("FDIC") and secured by collateral authorized by the Act, and in TexPool and Texas Class, which are 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 portfolio.

## Consultants

Although the District does not have a general manager or any other full-time employees, it has contracted for utility system operating, bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

### Tax Assessor/Collector

The tax assessor/collector for the District is Tax Tech, Inc.

### Bookkeeper

McLennan & Associates, L.P. acts as bookkeeper for the District.

### Utility System Operator

The District's water and sewer system is operated by Si Environmental, LLC.

### Engineer

The District's Engineer is Costello Inc. (the "Engineer").

### Auditor

As required by the Texas Water Code, as amended, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District engaged McGrath & Co., PLLC as its auditor for the fiscal year ended July 31, 2020, which audit is included under Appendix A.

### Attorney

The District has engaged The Muller Law Group, PLLC, Sugar Land, Texas, as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are earned upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

## **Financial Advisor**

Robert W. Baird & Co. Incorporated is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

### ***Special Consultants Related to Issuance of the Bonds***

**Verification Agent** – At the time of delivery of the Bonds, Robert Thomas CPA LLC, Certified Public Accountants, will verify to the District, Bond Counsel, Escrow Agent, and the Underwriter certain matters related to the issuance of the bonds and the refunding of the Refunded Bonds. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

## **THE DEVELOPERS**

### **Role of the Developers**

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the Developers will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage facilities in a utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

### **Taylor Morrison**

Taylor Morrison of Texas, Inc. is the developer of Avalon and currently owns approximately 37 acres of land which it plans to develop as Avalon, Sections 3 and 4 in the second quarter of 2021.

## **THE SYSTEM**

### **Regulation**

According to the District's Engineer, Costello, Inc. (“Costello” or “Engineer”), the District's water distribution, wastewater collection and drainage facilities (the “System”) have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the Commission, the City of Missouri City and Fort Bend County. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the Commission.

Operation of the District's waterworks and sewage treatment facilities is subject to regulation by, among others, the Environmental Protection Agency and the Commission. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

#### ***Source of Water Supply:***

MUD 149 receives water supply through a Regional Water Supply Agreement (the “RWSA”) among MUD 129, MUD 149, MUD 115 and Fort Bend County MUD No. 46. Under the RWSA, the parties are served by two water plants: the MUD 115 water plant (the “MUD 115 Water Plant”) and the MUD 149 water plant (the “MUD 149 Water Plant”). Combined, the water plants have 3,800 GPM of well capacity, two million gallons of ground storage, 11,350 gallons per minute of booster capacity and 120,000 gallons of hydro-pneumatic tank capacity. Under the RWSA, MUD 149 is capable of serving 1,520 ESFCs which is sufficient to serve the 1,265 ESFCs necessary to support the feasibility of this bond issue.

#### ***Source of Wastewater Treatment:***

Wastewater treatment capacity is provided by the City of Missouri City (the “City”). All wastewater treatment facilities are owned and maintained by the City as stipulated by a Regional Wastewater Treatment Facilities Agreement between the City and the District.



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

The District is within the boundaries of the Fort Bend Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. The District's authority to pump groundwater is subject to an annual permit issued by 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 District.

The Subsidence District's regulations require the District, 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 2008; (ii) limit groundwater withdrawals to no more than 70% of the total water demand of the water users within the GRP, as of January 2014; and (iii) limit groundwater withdrawals to no more than 40% of the total water demand of the water users within the GRP, as of January 2025. The District has joined the City of Missouri City's GRP.

If the City of Missouri City, together with the participants in its GRP, fail to comply with the above Subsidence District regulations, such entities 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 70% of the total water demand in January 2014 (40% in 2025). The GRP fee currently being charged by the City of Missouri City is \$1.79 per 1,000 gallons for groundwater and \$2.38 per 1,000 gallons for surface water, and this fee is passed through to the District's customers as part of the District's standard monthly water and sewer bills. The rate is anticipated to increase in the future and the District cannot predict the amount or level of fees and charges, which may be due to the City of Missouri City in the future. The District may continue to pass such fees through to its customers through higher water rates or the District may pay for such fees with portions of maintenance tax proceeds, if any. Under the City's GRP, the District will convert part of its water supply to surface water. Such conversion could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the City of Missouri City: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, or (ii) will comply with the Subsidence District's surface water conversion requirements.

## **Flood Protection**

No developable land within the District lies within the current Federal Emergency Management Agency Flood Plain Maps. The District contains 97.84 acres within Fort Bend County LID No. 15 ("LID 15") and the balance is within the boundaries of Fort Bend County LID No. 19 ("LID 19"). The boundary of LID 19 encompasses approximately 817 acres including the District. LID 19 has constructed a levee, which together with other LID 19 improvements removed all acreage within the LID boundaries from the 100-year flood plain designation. The portion of the land that lies within the flood plain of the Brazos River is located outside the LID 19 levee and is owned by the City of Missouri City, who has designated the property for future park facilities.

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.

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## General Fund Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's System. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements in the case of fiscal years ending July 31 of the years 2016 through 2020, and from information obtained from the District's bookkeeper for the period ending March 31, 2021. Reference is made to such statements for further and more complete information. See "APPENDIX A."

	03/31/21 (a)	Fiscal Year Ended				
		07/31/20	07/31/19	07/31/18	07/31/17	07/31/16
<b>REVENUES</b>						
Water service	\$ 160,447	\$ 263,417	\$ 233,923	\$ 228,676	\$ 233,917	\$ 209,539
Sewer service	467,182	786,162	740,139	688,021	724,315	649,520
Property taxes	442,523	627,530	448,545	477,821	348,386	360,412
Penalties and interest	11,257	13,614	20,667	13,953	13,143	12,062
Tap connection and inspection	79,616	43,126	53,240	73,405	146,741	210,094
Surface water	276,927	416,472	311,012	266,619	292,381	275,709
Fire service	80,088	134,031	130,331	118,828	121,800	112,681
Miscellaneous	5,946	9,791	12,276	7,099	14,334	11,410
Investment earnings	<u>4,084</u>	<u>53,038</u>	<u>77,772</u>	<u>46,366</u>	<u>16,631</u>	<u>5,436</u>
<b>TOTAL REVENUES</b>	<b>\$ 1,528,070</b>	<b>\$ 2,347,181</b>	<b>\$ 2,027,905</b>	<b>\$ 1,920,788</b>	<b>\$ 1,911,648</b>	<b>\$ 1,846,863</b>
<b>EXPENDITURES</b>						
Purchased services	\$ 538,122	\$ 665,544	\$ 502,899	\$ 541,608	\$ 574,893	\$ 599,896
Professional fees	63,610	103,043	96,999	104,205	108,144	96,183
Contracted services	421,695	624,199	576,633	650,567	603,292	580,033
Repairs and maintenance	60,293	117,180	111,568	168,732	117,115	90,294
Utilities	3,915	7,549	5,779	6,178	4,984	6,198
Administrative	35,237	57,100	62,579	72,954	59,616	60,318
Other	3,657	11,647	19,211	85,956	19,930	12,159
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>258,722</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,126,529</b>	<b>\$ 1,586,262</b>	<b>\$ 1,375,668</b>	<b>\$ 1,888,922</b>	<b>\$ 1,487,974</b>	<b>\$ 1,445,081</b>
Revenues Over/(Under) Expenditures	\$ 401,541	\$ 760,919	\$ 652,237	\$ 31,866	\$ 423,674	\$ 401,782
Other Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance, Beg of Year	<u>\$ 4,632,419</u>	<u>\$ 3,871,500</u>	<u>\$ 3,219,263</u>	<u>\$ 3,187,397</u>	<u>\$ 2,763,723</u>	<u>\$ 2,361,941</u>
Fund Balance, End of Year	<u>\$ 5,033,960</u>	<u>\$ 4,632,419</u>	<u>\$ 3,871,500</u>	<u>\$ 3,219,263</u>	<u>\$ 3,187,397</u>	<u>\$ 2,763,723</u>

(a) Unaudited financials obtained from the reports of the District's bookkeeper.

**SELECTED FINANCIAL INFORMATION  
(Unaudited)**

2020 Certified Assessed Valuation.....	\$ 502,079,242 (a)
See "SELECTED FINANCIAL INFORMATION" and "TAXING PROCEDURES."	
2021 Preliminary Assessed Valuation.....	\$ 516,244,088 (b)
See "SELECTED FINANCIAL INFORMATION" and "TAXING PROCEDURES."	
<b>Direct Debt:</b>	
The Remaining Outstanding Bonds (as of July 1, 2021).....	\$ 17,825,000
The Bonds.....	<u>5,615,000</u>
Total.....	\$ 23,440,000
Estimated Overlapping Debt.....	<u>\$ 44,245,195 (c)</u>
Total Direct and Estimated Overlapping Debt.....	<u>\$ 67,685,195</u>
<b>Direct Debt Ratios:</b>	
As a percentage of the 2020 Certified Assessed Valuation.....	4.67 %
As a percentage of the 2021 Preliminary Assessed Valuation.....	4.54 %
<b>Direct and Estimated Overlapping Debt Ratios:</b>	
As a percentage of the 2020 Certified Assessed Valuation.....	13.48 %
As a percentage of the 2021 Preliminary Assessed Valuation.....	13.11 %

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- (a) Certified Taxable Assessed Value within the District as of January 1, 2020, as provided by the Fort Bend Central Appraisal District ("FBCAD").
- (b) Provided by the Appraisal District for informational purposes only. This amount represents the preliminary determination of the assessed valuation of all taxable property within the District as of January 1, 2021. No taxes will be levied upon this value, which is subject to protest by landowners. The value will be certified by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board") and taxes will be levied on the certified value.
- (c) See "SELECTED FINANCIAL INFORMATION – Estimated Overlapping Debt Statement."

**Cash and Investment Balances**

Unaudited as of  
March 22, 2021

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General Fund	Cash and Temporary Investments	\$ 4,925,605
Debt Service Fund (a)	Cash and Temporary Investments	2,635,972
Capital Projects Fund	Cash and Temporary Investments	87,457

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- (a) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the debt service fund.

### Estimated Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Debt as of March 31, 2021	Estimated Overlapping	
		Percent	Amount
Fort Bend County	\$ 633,879,567	0.65 %	\$ 4,142,450
Fort Bend County LID No. 19	39,120,000	66.38	25,966,926
Fort Bend Independent School District	1,278,953,767	1.11	<u>14,135,819</u>
Total Estimated Overlapping Debt			\$ 44,245,195
The District			<u>23,440,000</u> (a)
Total Direct & Estimated Overlapping Debt			<u>\$ 67,685,195</u>
Ratio of Estimated Direct and Overlapping Debt to 2020 Certified Assessed Valuation			13.48%
Ratio of Estimated Direct and Overlapping Debt to 2021 Preliminary Assessed Valuation			13.11%

(a) Includes the Bonds.

### Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "SELECTED FINANCIAL INFORMATION - Estimated Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2020 Taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

Taxing Jurisdiction	2020 Tax Rate
The District	\$ 0.450000
Fort Bend County	0.453207 (a)
Fort Bend County LID No. 19	0.560000
Fort Bend ISD	<u>1.240200</u>
Total Tax Rate	\$ 2.703407

(a) Includes \$0.017331 for Fort Bend County Drainage District.

## TAX DATA

### General

All taxable property located within the District is subject to the assessment, levy and collection by the District of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, sufficient to pay principal of and interest on the Bonds, the Remaining Outstanding Bonds, and any future tax-supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and become delinquent after January 31 of the following year. The Board covenants in the Bond Resolution to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds.

### Tax Rate Limitation

Debt Service: Unlimited (no legal limit as to rate or amount).  
Maintenance: \$1.25 per \$100 Assessed Valuation.

### Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any tax bonds which may be issued in the future. An election was held within the District on November 6, 2007, which authorized the levy of a maintenance tax not to exceed \$1.25/\$100 assessed valuation.

### Assessed Valuation Summary

The following represents the type of property comprising the 2016-2020 tax rolls:

Type of Property	2020 Assessed Valuation	2019 Assessed Valuation	2018 Assessed Valuation	2017 Assessed Valuation	2016 Assessed Valuation
Land	\$ 101,668,136	\$ 92,377,165	\$ 89,247,679	\$ 87,170,190	\$ 80,043,760
Improvements	403,942,116	392,369,217	364,648,540	382,133,305	355,231,695
Personal Property	1,255,830	1,221,300	1,195,360	1,190,730	1,346,460
Exemptions	<u>(4,786,840)</u>	<u>(3,429,270)</u>	<u>(3,178,948)</u>	<u>(35,715,648)</u>	<u>(2,383,643)</u>
Total Net Taxable Value	\$ 502,079,242	\$ 482,538,412	\$ 451,912,631	\$ 434,778,577	\$ 434,238,272

### Historical Collections

Tax Year	Assessed Valuation	Tax Rate/ \$100 (a)	Adjusted Levy	% Collections Current Year	Fiscal Year Ending	% Collections as of 02/28/2021
2016	\$ 434,238,272	\$ 0.50	\$ 2,171,191	99.34 %	7-31-17	100.00%
2017	434,778,577	0.50	2,173,893	99.24	7-31-18	100.00
2018	451,912,631	0.50	2,259,563	98.95	7-31-19	100.00
2019	482,538,412	0.50	2,412,692	99.39	7-31-20	99.73
2020	502,079,242	0.45	2,259,357	95.89 (b)	7-31-21	95.89

(a) See "Tax Rate Distribution."

(b) Collections as of February 28, 2021.

### Tax Rate Distribution

	2020	2019	2018	2017	2016
Debt Service	\$0.360	\$0.370	\$0.400	\$0.390	\$0.420
Maintenance	<u>0.090</u>	<u>0.130</u>	<u>0.100</u>	<u>0.110</u>	<u>0.080</u>
Total	<u>\$0.450</u>	<u>\$0.500</u>	<u>\$0.500</u>	<u>\$0.500</u>	<u>\$0.500</u>

**Principal Taxpayers**

The following are the principal taxpayers in the District as shown on the District’s certified appraisal rolls for the 2020 tax year.

Taxpayer	Type of Property	Assessed Valuation 2020 Tax Roll
Taylor Morrison of Texas Inc.	Land & Improvements	\$ 4,175,850
Darling Homes of Texas LLC	Land & Improvements	2,632,260
Centerpoint Energy Electric	Personal Property	950,980
Jasico Inc.	Land & Improvements	780,660
Homeowner	Land & Improvements	679,630
Herrin Racnh Development II Inc.	Land & Improvements	679,050
Homeowner	Land & Improvements	629,150
Homeowner	Land & Improvements	621,210
Homeowner	Land & Improvements	603,020
Homeowner	Land & Improvements	<u>593,030</u>
Total		<u>\$12,344,840</u>
% of Respective Tax Roll		<u>2.459%</u>

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation which would be required to meet certain debt service requirements on the Remaining Outstanding Bonds and the Bonds if no growth in the District’s tax base occurs beyond the 2020 Certified Assessed Valuation (\$502,079,242) and the 2021 Preliminary Assessed Valuation (\$516,244,088). The calculations assume collection of 95% of taxes levied and exclude any debt service funds.

Average Annual Debt Service Requirements (2021-2040).....	\$ 1,567,293
Tax Rate of \$0.33 on the 2020 Certified Assessed Valuation produces .....	\$ 1,574,018
Tax Rate of \$0.32 on the 2021 Preliminary Assessed Valuation produces .....	\$ 1,569,382
Maximum Annual Debt Service Requirements (2037).....	\$ 1,736,700
Tax Rate of \$0.37 on the 2020 Certified Assessed Valuation produces .....	\$ 1,764,809
Tax Rate of \$0.36 on the 2021 Preliminary Assessed Valuation produces .....	\$ 1,765,555

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**DEBT SERVICE SCHEDULE**

The following schedule sets forth the current debt service requirements on the District's outstanding debt, less the debt service on the Refunded Bonds, plus the principal and interest requirements on the Bonds.

Year	Outstanding Debt Service (a)	Less: The Refunded Bonds	Plus: The Bonds			Total Debt Service
			Principal	Interest	Debt Service	
2021	\$ 1,339,892	\$ 116,015	\$ -	\$ 29,753	\$ 29,753	\$ 1,253,630
2022	1,769,384	232,030	35,000	129,050	164,050	1,701,404
2023	1,778,621	497,030	300,000	128,000	428,000	1,709,591
2024	1,779,856	497,625	310,000	119,000	429,000	1,711,231
2025	1,783,991	507,335	330,000	109,700	439,700	1,716,356
2026	1,790,969	511,150	345,000	99,800	444,800	1,724,619
2027	1,790,406	513,725	355,000	89,450	444,450	1,721,131
2028	1,793,031	515,700	365,000	78,800	443,800	1,721,131
2029	1,797,524	516,780	375,000	71,500	446,500	1,727,244
2030	1,799,363	527,250	390,000	64,000	454,000	1,726,113
2031	1,803,481	525,700	395,000	56,200	451,200	1,728,981
2032	1,803,931	528,500	410,000	48,300	458,300	1,733,731
2033	1,806,931	530,400	420,000	40,100	460,100	1,736,631
2034	1,806,244	536,400	430,000	31,700	461,700	1,731,544
2035	1,808,288	536,300	440,000	23,100	463,100	1,735,088
2036	1,807,925	540,300	450,000	14,300	464,300	1,731,925
2037	1,809,600	343,200	265,000	5,300	270,300	1,736,700
2038	1,353,600	-	-	-	-	1,353,600
2039	573,200	-	-	-	-	573,200
2040	572,000	-	-	-	-	572,000
<b>Total</b>	<b>\$ 32,568,237</b>	<b>\$ 7,975,440</b>	<b>\$ 5,615,000</b>	<b>\$ 1,138,053</b>	<b>\$ 6,753,053</b>	<b>\$ 31,345,850</b>

(a) Debt service requirement as of April 1, 2021.

Average Annual Requirements - (2021-2040).....	\$ 1,567,293
Maximum Annual Requirements - (2037) .....	\$ 1,736,700

## **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 sufficient amount to pay the principal of and interest on the Remaining Outstanding Bonds, the 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 above under "THE BONDS - Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and for the payment of certain contractual obligations. See "SELECTED FINANCIAL INFORMATION - 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 herein.

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" or "FBCAD") has the responsibility of appraising property for all taxing units within the 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"). The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax rolls and tax rate.

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

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: 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; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve the same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

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 the residence homestead was donated by a charitable organization. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces 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.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. The District has granted a \$10,000 exemption for residents who are disabled or 65 years of age and older for the 2021 tax year.



Effective September 1, 2019, a property owner serving on active duty for any branch of the United States armed forces who is transferred out of the state may defer payment on property taxes without incurring any penalty or interest. Deferred tax payments are due no later than 60 days after the earliest of the following to occur: (1) the person is discharged from active military service, (2) the person returns to the state for more than 10 days, or (3) the person returns to non-active duty status in the reserves. After the deferral period expires, any unpaid delinquent taxes will accrue interest but will not incur any penalty.

**Residential Homestead Exemptions:** The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market 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 May 1. The District has not adopted a general homestead exemption.

**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 tax such items. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, and 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 tax such goods-in-transit personal property for the tax year 2011 and prior years, and has taken official action to allow taxation of all such goods in transit personal property for tax year 2012 and subsequent years.

#### **Tax Abatement**

Fort Bend County (the "County") may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, 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 assessed valuation of property covered by the agreement over its assessed 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. As of September 1, 1999, each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, no portion of the land within the District has been designated as a reinvestment zone.

#### **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, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent 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 of 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 one political subdivision while claiming it for 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 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 property in the Appraisal District at least once every three years. It is not known what frequency of reappraisals 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 to formally include such values on its appraisal roll.

Effective January 1, 2020, Section 11.35 of the Property Tax Code, authorizes a temporary tax exemption for certain damaged property in governor-declared disaster areas. In order to qualify for the exemption, the property must be at least 15% damaged, as determined by the chief appraiser of the appraisal district. Upon a property owner's application for an exemption, the chief appraiser must assign a damage rating of Level I - 15% (minimal damage), Level II - 30% (nonstructural damage), Level III - 60% (significant structural damage), or Level IV - 100% (total loss).

Property owners are entitled to the exemption if the Governor declares the disaster area prior to a taxing unit adopting a tax rate for the year in which the disaster occurs. However, if the disaster declaration occurs on or after the date a taxing unit adopts a tax rate, property owners are only entitled to receive the exemption if the governing body of the taxing unit adopts the exemption within 60 days of the disaster declaration.

The amount of the exemption for qualifying property is determined by multiplying the appraisal value by the level rating percentage, which is then prorated by the number of days from the disaster declaration to December 31 of the tax year in which the disaster is declared as a percentage of total days in the year. The exemption expires on January 1 of the first tax year in which the property is reappraised.

### **District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value in question may 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 values, appraisals that 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. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of 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. 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. 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.

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, if the person requests an installment agreement 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.

### **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 "Low Tax Rate Districts." 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 "Other Districts." Debt service

and contract tax rates cannot be reduced by a rollback election held within any of the districts described below. 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.

#### *Low Tax Rate Districts*

Low Tax Rate Districts 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 Low Tax Rate District 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 from the previous three tax years, as calculated and described in Section 26.013 of the 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 from the previous three tax years. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor or President, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

#### *Other Districts*

Districts that do not meet the classification of a Low Tax Rate District or a Developed District can be classified as Other Districts. The qualified voters of these districts, upon the Other District's adoption of 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 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 Other 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 the District's status as a Low Tax Rate District, Developed District or Other District will be made by the Board on an annual basis. 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 in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims 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 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. 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 two years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

## INVESTMENT CONSIDERATIONS

### General

The Bonds are obligations of the District and are not obligations of the State of Texas; Fort Bend County, Texas; the City of Missouri City, Texas; or any political subdivision other than the District. The Bonds will be secured by a continuing direct, annual ad valorem tax, levied without legal limitation as to rate or amount, levied against all taxable property located within the District. The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

### Extreme Weather: Hurricane Harvey

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, including the District, has experienced multiple 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.

According to estimates by the District's Engineer, approximately 570 homes within the District representing approximately 48% of the total homes within the District experienced flooding or other damage as a result of Hurricane Harvey. The District residents reported flooding in houses ranging from a few inches to two feet.

The flooding within the District was caused by record levels of rainfall in the Steep Bank Creek watershed. Steep Bank Creek is the principal drainage outflow for the District. The District contains 97.84 acres within LID 15 and the balance located in Fort Bend County Levee Improvement District No. 19 ("LID 19"), which also serves areas outside the District. LID 19 has constructed and maintains a levee that protects property in the District from the Brazos River at flood stage. LID 19 provides storm water drainage within the District by a gravity outfall system and pump station that pumps excess storm water into the Brazos River from the Steep Bank Creek watershed. While the pumps operated as designed throughout Hurricane Harvey, because of the historic rainfall levels, the pumps were unable to remove sufficient storm water caused by Hurricane Harvey, resulting in flooding in portions of the District.

If a future hurricane (or any other natural disaster) 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.

### Infectious Disease Outlook (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 the Pandemic. 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 the Pandemic an imminent threat of disaster for all counties in Texas (collectively, the "disaster declarations"). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of 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 fluctuations attributed to the Pandemic 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.

While the potential impact of the Pandemic 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 partially 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 Fluctuations on the Houston Area**

The recent fluctuations 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, and the Remaining Outstanding Bonds, are secured by unlimited ad valorem taxes, and a reduction in property values may require an increase in the ad valorem tax rates required to pay debt service on the Bonds, and the Remaining Outstanding Bonds, as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

### **Factors Affecting Taxable Values and Tax Payments**

**Economic Factors:** A substantial percentage of the taxable value of the District results from the current market value of single-family residences. The market value of such homes and lots is related to general economic conditions in Houston affecting the demand for residences. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. The District cannot predict the pace or magnitude of any future development in the District. See "Credit Markets and Liquidity in the Financial Markets" below.

**Location and Access:** The District is located in an outlying area of the Greater Houston Metropolitan Area, approximately 21 miles southwest of the central business district of the City of Houston. The District is located entirely within the extraterritorial jurisdiction of the City of Missouri City. Homebuilders active within the District compete for the sale of homes with numerous residential development projects located closer to major employment centers. In addition, many of the residential developments with which the District competes are in a more developed state and have lower overlapping taxes. As a result, particularly during times of increased competition, the homebuilders may find themselves at a competitive disadvantage to the homebuilders in other residential projects located close to major urban centers or in a more developed state. See "THE DISTRICT" and "DEVELOPMENT WITHIN THE DISTRICT."

**Maximum Impact on District Tax Rates:** Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2020 Certified Assessed Valuation of property located within the District (see "SELECTED FINANCIAL INFORMATION") is \$502,079,242 and the 2021 Preliminary Assessed Valuation of property located within the District (see "SELECTED FINANCIAL INFORMATION") is \$516,244,088. After issuance of the Bonds, the maximum annual debt service requirements on the Remaining Outstanding Bonds and the Bonds will be \$1,736,700 (2037) and the average annual debt service requirements will be \$1,567,293 (2021-2040, inclusive). Assuming no increase to nor decrease from the 2020 Certified Assessed Valuation, tax rates of \$0.37 and \$0.33 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. Assuming no increase to nor decrease from the 2021 Preliminary Assessed Valuation, tax rates of \$0.36 and \$0.32 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

Increases in the District's tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, the sale and construction of homes within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay ad valorem taxes levied by the District.

### **Tax Collection Limitations**

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 state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by 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, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property or (d) the taxpayer's right to redeem the property within six months for commercial property and two years for residential

and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. 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 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**

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 right to seek 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 defaults 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 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 be further 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 and creditors of political subdivisions, such as the District.

### **Bond Insurance Risk Factors**

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond 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 Bond Insurer and of the ratings on the Bonds insured by the Bond 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 "RATINGS."

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

Neither the District or Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to

pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See “Bond Insurance” herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

### **Future Debt**

The District has the right to issue the remaining \$35,445,000 authorized but unissued unlimited tax bonds for the Facilities and for refunding such bonds, and such additional bonds as may hereafter be approved by both the Board and voters of the District. All of the remaining bonds described above which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The District also has the right to issue refunding bonds, bond anticipation notes and revenue bonds without voter approval. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See “THE BONDS - Issuance of Additional Debt.”

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

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See “TAX MATTERS.”

### **Approval of the Bonds**

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

### **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.

### **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-Brazoria 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.

While the EPA has revoked the 1997 Ozone Standards, the 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, the 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 the 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 the EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court's ruling, the TCEQ developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

The HGB Area is currently designated as a "serious" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. 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, with an attainment deadline of August 3, 2021. 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 water 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.

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 water 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.

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must obtain a permit from the United States Army Corps of Engineers ("USACE") if operations of the District require that wetlands be filled, dredged, or otherwise altered.



In 2015, the EPA and 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 expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction.

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 June 22, 2020, and is currently the subject of ongoing litigation.

Due to 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 understanding with the underwriter of the Bonds regarding the reoffering yields or prices of the Bonds and 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 may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers, since such bonds are more generally bought, sold and traded in the secondary market.

## **LEGAL MATTERS**

### **Legal Opinions**

Delivery of the Bonds will be accompanied by the 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, 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 tax purposes under existing law, and (ii) interest on the Bonds will not be subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS (except for information under the subheading “Book-Entry-Only-System” and “Use and Distribution of Bond Proceeds”), “PLAN OF FINANCING – Escrow Agreement” and “– Defeasance of the Refunded Bonds,” “THE DISTRICT – General,” “TAXING PROCEDURES,” “LEGAL MATTERS – Legal Opinions,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION (except for information under the subheading “Compliance with Prior Undertakings”),” 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 or the Developer 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 legal fees paid to 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, therefore, such fees are contingent upon the sale and delivery of the Bonds.

## **No-Litigation Certificate**

The District will furnish the Underwriter a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened 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.

## **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 subsequent to the date of sale from that set forth or contemplated in the Official Statement, as it may have been supplemented or amended through the date of sale.

## **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 Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and represents that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2021 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2021.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

### **VERIFICATION OF MATHEMATICAL CALCULATIONS**

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter on behalf of the District relating to (a) computation of the adequacy of the Escrowed Securities and cash deposited with the Escrow Agent to pay the principal or redemption price of and interest on the Refunded Bonds, and (b) the computation of the yields on the Bonds was verified by Robert Thomas CPA LLC. The computations were independently verified by Robert Thomas CPA LLC based upon certain assumptions and information supplied by the Underwriter on behalf of the District, and the District. Robert Thomas CPA LLC has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of future events.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Resolution, the District has the following agreement for the benefit of the holders 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, audited financial statements and timely notice of specified events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

#### **Annual Reports**

The District will provide certain updated financial information and operating data to EMMA annually.

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement included under the headings "SELECTED FINANCIAL INFORMATION," (except as to Estimated Overlapping Debt Statement), "TAX DATA" and in "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2021. The District will provide the updated information to EMMA.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 ("Rule"). The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

#### **Event Notices**

The District will provide timely notices of certain events to the MSRB, 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-exempt status of the Bonds, or other material events affecting the tax-exempt 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 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 obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or obligated person, any of which affect security holders, 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 obligated person, 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 information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

#### **Availability of Information from EMMA**

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB 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 certain 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 or 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 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 agreements made by them in accordance with the Rule.

## **OFFICIAL STATEMENT**

### **General**

The information contained in this Official Statement has been obtained primarily from the District’s records, the Engineer, the Developers, the Tax Assessor/Collector and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included 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.

The District’s audited financial statements for the year ended July 31, 2020, were prepared by McGrath & Co. PLLC, and have been included herein as “APPENDIX A.” McGrath & Co. PLLC, Certified Public Accountant, has consented to the publication of such financial statements in this Official Statement.

### **Experts**

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled “THE DISTRICT - Description” and “THE SYSTEM” has been provided by Costello Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned “SELECTED FINANCIAL INFORMATION” was provided by the Fort Bend County Tax Office and the Appraisal District. Such information has been included herein in reliance upon the Fort Bend County Tax Office’s authority as an expert in the field of tax collection and the Appraisal District’s authority as an expert in the field of tax assessing.

### **Certification as to Official Statement**

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

### **Updating of 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 so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District in writing 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 (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

## **CONCLUDING STATEMENT**

The information set forth herein has been obtained from the District’s records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 149 as of the date shown on the first page hereof.

/s/ Susan Winters  
President, Board of Directors  
Fort Bend County Municipal Utility District No. 149

ATTEST:

/s/ Rose Herbst  
Secretary, Board of Directors  
Fort Bend County Municipal Utility District No. 149

**APPENDIX A**  
**FINANCIAL STATEMENTS OF THE DISTRICT**

**FORT BEND COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 149**

**FORT BEND COUNTY, TEXAS**

**FINANCIAL REPORT**

**July 31, 2020**



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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. 149  
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. 149, as of and for the year ended July 31, 2020, 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. 149  
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. 149, as of July 31, 2020, 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.

*W. G. G. & Co., P.C.*

Houston, Texas  
November 23, 2020

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

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***Fort Bend County Municipal Utility District No. 149  
Management's Discussion and Analysis  
July 31, 2020***

**Using this Annual Report**

Within this section of the financial report of Fort Bend County Municipal Utility District No. 149 (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, 2020. 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. 149**  
**Management's Discussion and Analysis**  
**July 31, 2020**

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, 2020, was \$2,099,049. A comparative summary of the District's overall financial position, as of July 31, 2020 and 2019, is as follows:

	2020	2019
Current and other assets	\$ 7,710,190	\$ 7,505,654
Capital assets	22,304,974	18,853,087
Total assets	<u>30,015,164</u>	<u>26,358,741</u>
Current liabilities	1,499,797	1,438,953
Long-term liabilities	26,416,318	23,834,609
Total liabilities	<u>27,916,115</u>	<u>25,273,562</u>
Net position		
Net investment in capital assets	(4,909,896)	(5,130,044)
Restricted	2,372,698	2,340,137
Unrestricted	4,636,247	3,875,086
Total net position	<u>\$ 2,099,049</u>	<u>\$ 1,085,179</u>

**Fort Bend County Municipal Utility District No. 149**  
**Management's Discussion and Analysis**  
**July 31, 2020**

The total net position of the District increased during the current fiscal year by \$1,013,870. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2020</u>	<u>2019</u>
Revenues		
Property taxes, penalties and interest	\$ 2,443,956	\$ 2,274,279
Water and sewer service	1,049,579	974,062
Other	685,607	649,238
Total revenues	<u>4,179,142</u>	<u>3,897,579</u>
Expenses		
Current service operations	1,668,470	1,439,870
Debt interest and fees	900,252	919,462
Depreciation and amortization	596,550	499,930
Total expenses	<u>3,165,272</u>	<u>2,859,262</u>
Change in net position	1,013,870	1,038,317
Net position, beginning of year	1,085,179	46,862
Net position, end of year	<u>\$ 2,099,049</u>	<u>\$ 1,085,179</u>

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

The District's combined fund balances, as of July 31, 2020, were \$7,451,400, which consists of \$4,632,419 in the General Fund, \$2,727,533 in the Debt Service Fund, and \$91,448 in the Capital Projects Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of July 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Total assets	<u>\$ 4,874,594</u>	<u>\$ 4,072,009</u>
Total liabilities	\$ 238,347	\$ 196,923
Total deferred inflows	3,828	3,586
Total fund balance	4,632,419	3,871,500
Total liabilities, deferred inflows and fund balance	<u>\$ 4,874,594</u>	<u>\$ 4,072,009</u>



**Fort Bend County Municipal Utility District No. 149**  
**Management's Discussion and Analysis**  
**July 31, 2020**

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

	2020	2019
Total revenues	\$ 2,347,181	\$ 2,027,905
Total expenditures	(1,586,262)	(1,375,668)
Revenues over expenditures	<u>\$ 760,919</u>	<u>\$ 652,237</u>

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.
- Water, sewer and surface water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Revenues from providing fire protection services are based on the number of connections in the District and increases as the number of connections increases
- 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, 2020 and 2019 is as follows:

	2020	2019
Total assets	<u>\$ 2,744,148</u>	<u>\$ 2,717,167</u>
Total liabilities	\$ 2,569	\$ -
Total deferred inflows	14,046	17,418
Total fund balance	<u>2,727,533</u>	<u>2,699,749</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,744,148</u>	<u>\$ 2,717,167</u>

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

	2020	2019
Total revenues	\$ 1,828,347	\$ 1,851,890
Total expenditures	(1,800,563)	(1,789,407)
Revenues over expenditures	<u>\$ 27,784</u>	<u>\$ 62,483</u>

***Fort Bend County Municipal Utility District No. 149  
Management's Discussion and Analysis  
July 31, 2020***

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

*Capital Projects Fund*

A comparative summary of the Capital Projects Fund's financial position as of July 31, 2020 and 2019 is as follows:

	2020	2019
Total assets	<u>\$ 91,448</u>	<u>\$ 716,478</u>
Total fund balance	<u>\$ 91,448</u>	<u>\$ 716,478</u>

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

	2020	2019
Total revenues	<u>\$ 6,744</u>	<u>\$ 16,253</u>
Total expenditures	<u>(631,774)</u>	<u>(19,701)</u>
Revenues under expenditures	<u>\$ (625,030)</u>	<u>\$ (3,448)</u>

During the current year, the District purchased additional capacity in the Steep Bank/Flat Bank regional wastewater treatment plant system (See Note 9). There was no significant capital asset activity in the prior year.

**General Fund Budgetary Highlights**

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the fiscal 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 \$223,902 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

**Fort Bend County Municipal Utility District No. 149**  
**Management's Discussion and Analysis**  
**July 31, 2020**

**Capital Assets**

The District has entered into financing agreements with its developer 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, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Capital assets not being depreciated		
Land and improvements	\$ 100,268	\$ 100,268
Capital assets being depreciated/amortized		
Infrastructure	23,419,870	19,970,383
Regional water supply capacity	54,950	54,950
Capital connection fees	2,550,280	1,951,330
	<u>26,025,100</u>	<u>21,976,663</u>
Less accumulated depreciation/amortization		
Infrastructure	(3,431,570)	(2,911,132)
Regional water supply capacity	(4,227)	(2,818)
Capital connection fees	(384,597)	(309,894)
	<u>(3,820,394)</u>	<u>(3,223,844)</u>
Depreciable capital assets, net	<u>22,204,706</u>	<u>18,752,819</u>
Capital assets, net	<u>\$ 22,304,974</u>	<u>\$ 18,853,087</u>

Capital asset additions during the current year include the following:

- Purchase of capacity in the Steep Bank/Flat Bank regional wastewater treatment plant system
- Utilities to serve Hagerson Road expansion and Hagerson Tract, Phase 1
- Lift station no. 4
- Storm sewer adjustments at Hagerson Road

**Long-Term Debt and Related Liabilities**

As of July 31, 2020, the District owes approximately \$3,449,487 to its developer for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

**Fort Bend County Municipal Utility District No. 149**  
**Management's Discussion and Analysis**  
**July 31, 2020**

At July 31, 2020 and 2019, the District had total bonded debt outstanding as shown below:

Series	2020	2019
2011	\$ 2,095,000	\$ 2,165,000
2013	4,195,000	4,345,000
2014	9,960,000	10,295,000
2015	8,030,000	8,340,000
	<u>\$ 24,280,000</u>	<u>\$ 25,145,000</u>

At July 31, 2020, the District had \$35,495,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and refunding of such bonds.

**Next Year's Budget**

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

	<u>2020 Actual</u>	<u>2021 Budget</u>
Total revenues	\$ 2,347,181	\$ 2,238,433
Total expenditures	<u>(1,586,262)</u>	<u>(1,545,292)</u>
Revenues over expenditures	760,919	693,141
Beginning fund balance	3,871,500	4,632,419
Ending fund balance	<u>\$ 4,632,419</u>	<u>\$ 5,325,560</u>

**Property Taxes**

The District's property tax base increased approximately \$19,318,000 for the 2020 tax year from \$482,638,058 to \$501,956,259. This increase was primarily due to increased property values. For the 2020 tax year, the District has levied a maintenance tax rate of \$0.09 per \$100 of assessed value and a debt service tax rate of \$0.36 per \$100 of assessed value, for a total combined tax rate of \$0.45 per \$100. Tax rates for the 2019 tax year were \$0.13 per \$100 for maintenance and operations and \$0.37 per \$100 for debt service for a combined total of \$0.50 per \$100 of assessed value.

**Infectious Disease Outlook (COVID-19)**

As further discussed in Note 15, the World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory virus currently affecting many parts of the world, including the United States and Texas. The pandemic has negatively affected the economic growth and financial markets worldwide and within Texas. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak could have an adverse effect on the District's operations and financial condition by negatively affecting property taxes and ad valorem tax revenues within the District.

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## **Basic Financial Statements**

**Fort Bend County Municipal Utility District No. 149**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**July 31, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 263,706	\$ 62,050	\$ 100	\$ 325,856	\$ -	\$ 325,856
Investments	4,307,194	2,675,113	91,348	7,073,655		7,073,655
Taxes receivable	3,828	14,046		17,874		17,874
Customer service receivables	144,541			144,541		144,541
Internal balances	7,061	(7,061)				
Prepaid items	18,631			18,631		18,631
Operating reserve - regional water supply	129,633			129,633		129,633
Capital assets not being depreciated					100,268	100,268
Capital assets, net					22,204,706	22,204,706
<b>Total Assets</b>	<b>\$ 4,874,594</b>	<b>\$ 2,744,148</b>	<b>\$ 91,448</b>	<b>\$ 7,710,190</b>	<b>22,304,974</b>	<b>30,015,164</b>
<b>Liabilities</b>						
Accounts payable	\$ 167,267	\$ 1,938	\$ -	\$ 169,205		169,205
Due to others		631		631		631
Customer deposits	3,975			3,975		3,975
Builder deposits	11,380			11,380		11,380
Unearned revenue	1,660			1,660		1,660
Due to other governments	54,065			54,065		54,065
Accrued interest payable					368,881	368,881
Due to developer					3,449,487	3,449,487
Long-term debt						
Due within one year					890,000	890,000
Due after one year					22,966,831	22,966,831
<b>Total Liabilities</b>	<b>238,347</b>	<b>2,569</b>		<b>240,916</b>	<b>27,675,199</b>	<b>27,916,115</b>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	3,828	14,046		17,874	(17,874)	
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Nonspendable	148,264			148,264	(148,264)	
Restricted		2,727,533	91,448	2,818,981	(2,818,981)	
Unassigned	4,484,155			4,484,155	(4,484,155)	
<b>Total Fund Balances</b>	<b>4,632,419</b>	<b>2,727,533</b>	<b>91,448</b>	<b>7,451,400</b>	<b>(7,451,400)</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 4,874,594</b>	<b>\$ 2,744,148</b>	<b>\$ 91,448</b>	<b>\$ 7,710,190</b>		
<b>Net Position</b>						
Net investment in capital assets					(4,909,896)	(4,909,896)
Restricted for debt service					2,372,698	2,372,698
Unrestricted					4,636,247	4,636,247
<b>Total Net Position</b>					<b>\$ 2,099,049</b>	<b>\$ 2,099,049</b>

See notes to basic financial statements.

**Fort Bend County Municipal Utility District No. 149**

**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended July 31, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Water service	\$ 263,417	\$ -	\$ -	\$ 263,417	\$ -	\$ 263,417
Sewer service	786,162			786,162		786,162
Property taxes	627,530	1,790,511		2,418,041	(3,130)	2,414,911
Penalties and interest	13,614	15,431		29,045		29,045
Tap connection and inspection	43,126			43,126		43,126
Surface water	416,472			416,472		416,472
Fire service	134,031			134,031		134,031
Miscellaneous	9,791			9,791		9,791
Investment earnings	53,038	22,405	6,744	82,187		82,187
<b>Total Revenues</b>	<b>2,347,181</b>	<b>1,828,347</b>	<b>6,744</b>	<b>4,182,272</b>	<b>(3,130)</b>	<b>4,179,142</b>
<b>Expenditures/Expenses</b>						
Current service operations						
Purchased services	665,544			665,544		665,544
Professional fees	103,043		32,824	135,867		135,867
Contracted services	624,199	45,098		669,297		669,297
Repairs and maintenance	117,180			117,180		117,180
Utilities	7,549			7,549		7,549
Administrative	57,100	4,286		61,386		61,386
Other	11,647			11,647		11,647
Capital outlay			598,950	598,950	(598,950)	
Debt service						
Principal		865,000		865,000	(865,000)	
Interest and fees		886,179		886,179	14,073	900,252
Depreciation/amortization					596,550	596,550
<b>Total Expenditures/Expenses</b>	<b>1,586,262</b>	<b>1,800,563</b>	<b>631,774</b>	<b>4,018,599</b>	<b>(853,327)</b>	<b>3,165,272</b>
<b>Revenues Over/(Under)</b>						
<b>Expenditures</b>	760,919	27,784	(625,030)	163,673	(163,673)	
<b>Change in Net Position</b>					1,013,870	1,013,870
Fund Balance/Net Position						
Beginning of the year	3,871,500	2,699,749	716,478	7,287,727	(6,202,548)	1,085,179
<b>End of the year</b>	<b>\$ 4,632,419</b>	<b>\$ 2,727,533</b>	<b>\$ 91,448</b>	<b>\$ 7,451,400</b>	<b>\$ (5,352,351)</b>	<b>\$ 2,099,049</b>

See notes to basic financial statements.



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***Fort Bend County Municipal Utility District No. 149***  
***Notes to Basic Financial Statements***  
***July 31, 2020***

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

The accounting policies of Fort Bend County Municipal Utility District No. 149 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

**Creation**

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated August 21, 2007, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on August 30, 2007 and the first bonds were issued on December 20, 2011.

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

**Reporting Entity**

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

**Government-Wide and Fund Financial Statements**

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

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 and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer and drainage facilities.

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

**Measurement Focus and Basis of Accounting**

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

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

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

**Use of Restricted Resources**

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

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

**Prepaid Items**

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

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At July 31, 2020, an allowance for uncollectible accounts was not considered necessary.

**Unbilled Service Revenues**

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

**Interfund Activity**

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

**Capital Assets**

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

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

Assets	Useful Life
Infrastructure	45 years
Regional water supply capacity	Remaining life of contract
Capacity connection fees	Remaining life of contract

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

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

**Deferred Inflows and Outflows of Financial Resources**

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

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

**Net Position – Governmental Activities**

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

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

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

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District’s nonspendable fund balance consists of prepaid items and operating reserves paid to Fort Bend County Municipal Utility District No. 115 for the Regional Water Supply Agreement (see Note 12).

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.

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

**Fund Balances – Governmental Funds (continued)**

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 and the value of amounts due to developer. 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. 149*  
*Notes to Basic Financial Statements*  
*July 31, 2020*

**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		\$ 7,451,400
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
Historical cost	\$ 26,125,368	
Less accumulated depreciation/amortization	<u>(3,820,394)</u>	
Change due to capital assets		22,304,974
<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>		
		(3,449,487)
<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	(23,856,831)	
Interest payable on debt	<u>(368,881)</u>	
Change due to long-term debt		(24,225,712)
<p>Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.</p>		
Property taxes receivable	14,722	
Penalty and interest receivable	<u>3,152</u>	
Change due to property taxes		17,874
Total net position - governmental activities		<u><u>\$ 2,099,049</u></u>

**Fort Bend County Municipal Utility District No. 149**  
**Notes to Basic Financial Statements**  
**July 31, 2020**

**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	\$	163,673
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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. (3,130)

Governmental funds report capital outlays for the acquisition of capital assets are recorded 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	\$	598,950	
Depreciation/amortization expense		(596,550)	2,400

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

Principal payments		865,000	
Interest expense accrual		(14,073)	850,927

Change in net position of governmental activities	\$	1,013,870
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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. 149**  
**Notes to Basic Financial Statements**  
**July 31, 2020**

**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, 2020, the District’s investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
TexPool	General	\$ 1,736,431			
	Debt Service	2,675,113			
	Capital Projects	91,348			
		<u>4,502,892</u>	64%	AAAm	30 days
Texas CLASS	General	<u>2,570,763</u>	<u>36%</u>	AAAm	52 days
Total		<u>\$ 7,073,655</u>	<u>100%</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.

**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.

**Texas CLASS**

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

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

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

**Investment Credit and Interest Rate Risk**

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

**Fort Bend County Municipal Utility District No. 149**  
**Notes to Basic Financial Statements**  
**July 31, 2020**

**Note 4 – Interfund Balances and Transactions**

Amounts due to/from other funds at July 31, 2020, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 7,061	Maintenance tax collections not remitted as of year end

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

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended July 31, 2020, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 100,268	\$ -	\$ 100,268
Capital assets being depreciated/amortized			
Infrastructure	19,970,383	3,449,487	23,419,870
Regional water supply capacity	54,950		54,950
Capital connection fees	1,951,330	598,950	2,550,280
	<u>21,976,663</u>	<u>4,048,437</u>	<u>26,025,100</u>
Less accumulated depreciation/amortization			
Infrastructure	(2,911,132)	(520,438)	(3,431,570)
Regional water supply capacity	(2,818)	(1,409)	(4,227)
Capital connection fees	(309,894)	(74,703)	(384,597)
	<u>(3,223,844)</u>	<u>(596,550)</u>	<u>(3,820,394)</u>
Subtotal depreciable capital assets, net	<u>18,752,819</u>	<u>3,451,887</u>	<u>22,204,706</u>
Capital assets, net	<u>\$ 18,853,087</u>	<u>\$ 3,451,887</u>	<u>\$ 22,304,974</u>

Depreciation/amortization expense for the current year was \$596,550.

**Fort Bend County Municipal Utility District No. 149**  
**Notes to Basic Financial Statements**  
**July 31, 2020**

**Note 6 – Due to Developer**

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer and drainage 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.

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

Due to developer, beginning of year	\$ -
Developer funded construction	3,449,487
Due to developer, end of year	<u>\$ 3,449,487</u>

**Note 7 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 24,280,000
Unamortized discounts	(423,169)
	<u>\$ 23,856,831</u>
Due within one year	<u>\$ 890,000</u>

The District's bonds payable at July 31, 2020, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/Ending	Interest Payment Dates	Call Dates
2011	\$ 2,095,000	\$ 2,500,000	3.0% - 5.0%	September 1, 2013 to 2036	September 1, March 1	September 1, 2021
2013	4,195,000	5,000,000	2.0% - 4.0%	September 1, 2014 to 2037	September 1, March 1	September 1, 2021
2014	9,960,000	11,450,000	2.0% - 4.0%	September 1, 2015 to 2038	September 1, March 1	September 1, 2022
2015	8,030,000	8,955,000	2.0% - 4.0%	September 1, 2017 to 2040	September 1, March 1	September 1, 2023
	<u>\$ 24,280,000</u>					

**Fort Bend County Municipal Utility District No. 149**  
**Notes to Basic Financial Statements**  
**July 31, 2020**

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

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

At July 31, 2020, the District had authorized but unissued bonds in the amount of \$35,495,000 for water, sewer and drainage facilities and refunding of such bonds.

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

Bonds payable, beginning of year	\$ 25,145,000
Bonds retired	(865,000)
Bonds payable, end of year	<u>\$ 24,280,000</u>

As of July 31, 2020, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2021	\$ 890,000	\$ 861,725	\$ 1,751,725
2022	915,000	837,084	1,752,084
2023	945,000	809,002	1,754,002
2024	985,000	779,240	1,764,240
2025	1,015,000	749,425	1,764,425
2026	1,050,000	717,481	1,767,481
2027	1,090,000	683,188	1,773,188
2028	1,125,000	646,720	1,771,720
2029	1,165,000	607,776	1,772,776
2030	1,210,000	565,942	1,775,942
2031	1,255,000	521,421	1,776,421
2032	1,305,000	473,705	1,778,705
2033	1,355,000	422,931	1,777,931
2034	1,410,000	369,088	1,779,088
2035	1,465,000	312,266	1,777,266
2036	1,525,000	253,106	1,778,106
2037	1,585,000	191,263	1,776,263
2038	1,650,000	126,600	1,776,600
2039	1,260,000	68,400	1,328,400
2040	530,000	32,600	562,600
2041	550,000	11,000	561,000
	<u>\$ 24,280,000</u>	<u>\$ 10,039,963</u>	<u>\$ 34,319,963</u>

**Fort Bend County Municipal Utility District No. 149**  
**Notes to Basic Financial Statements**  
**July 31, 2020**

**Note 8 – Property Taxes**

On November 6, 2007, 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 2020 fiscal year was financed through the 2019 tax levy, pursuant to which the District levied property taxes of \$0.50 per \$100 of assessed value, of which \$0.13 was allocated to maintenance and operations and \$0.37 was allocated to debt service. The resulting tax levy was \$2,413,190 on the adjusted taxable value of \$482,638,058.

Property taxes receivable, at July 31, 2020, consisted of the following:

Current year taxes receivable	\$ 14,722
Penalty and interest receivable	3,152
Total property taxes receivable	<u>\$ 17,874</u>

**Note 9 – Regional Wastewater Treatment Facilities Agreement**

On January 4, 2010, and as modified by addendums dated February 16, 2015 and January 6, 2020, the District entered into the Regional Wastewater Treatment Facilities Agreement (the “WWTP Agreement”) with the City of Missouri City (the “City”), for the term of forty years, whereas the City agrees to become the coordinating entity to provide wastewater treatment services by owning, operating and maintaining a regional wastewater treatment plant to serve participants. The regional plant is currently planned to ultimately have a total treatment capacity of 5.5 million gallons per day (MGD). The regional plant is being constructed in multiple phases. The City has constructed the first two phases of a regional plant, which consists of a 3.0 MGD regional wastewater treatment plant and the collection system. The City is the owner of the facilities including all expansions, improvements and regulatory upgrades.

On January 6, 2020, the District entered into a Second Addendum to the WWTP Agreement, which reallocated capacity among participants. Pursuant to the agreement, the District purchased 82,500 gallons per day (“gpd”) of additional capacity in the Steep Bank/Flat Bank regional wastewater treatment plant system, for a total capacity of 403,000 gpd. During the current year, the District made a lump-sum payment to the City in the amount of \$598,950 for the additional capacity.

**Note 9 – Regional Wastewater Treatment Facilities Agreement (continued)**

The City establishes a budget of the best estimate for the operation of the facilities, based on many factors including a monthly estimate of the total number of equivalent single family connections (“ESFC”). The participants pay monthly charges to the City sufficient to provide for the payment of all operating and maintenance expenses. The City may make adjustments for the amount of any excess or deficiency in operating funds and can change its monthly charges accordingly.

The City established and will maintain an operation and maintenance reserve, equivalent to twenty-five percent of the estimated operation and maintenance expenses in the annual budget. The District may pay this amount prior to the commencement of services or may request the City to bill the reserve monthly at a rate equal to 117% of the budgeted monthly charges for operation and maintenance expenses until the reserve has been paid.

The District will also pay the City its prorata share of capital costs incurred by the City associated with the facilities for various components that were required by the City to be oversized for the benefit of the participants, future participants and future phases of the regional plant. As of July 31, 2020, the District has paid \$2,550,280 for wastewater impact fees to the City for expansions of the plant. During the current fiscal year, the District recorded expenditures of \$212,153 for monthly service charges for maintenance and operation of the facilities.

**Note 10 – Cost Sharing Agreement**

On February 25, 2019, the District entered into an amended and restated cost sharing agreement with Fort Bend Levee Improvement District No. 19 (“LID 19”) and Fort Bend Levee Improvement District No. 15 (“LID 15”) for the construction of storm sewer and interconnect facilities to serve Hageron Road. Each district will have an equitable ownership interest in the facilities based on the pro rata share of costs paid. The District will retain legal title and be responsible for operation and maintenance of the project, with the exception of certain facilities which will be conveyed to LID 15 upon completion of construction. Construction of the facilities was completed during the current fiscal year.

**Note 11- Strategic Partnership Agreement**

On November 15, 2007, the District and the City of Missouri City entered into a Strategic Partnership Agreement, under which the City shall not fully annex the District until ninety percent of the District’s developable acreage has been developed with water, wastewater and drainage facilities and its developers have 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.

**Note 12 – Regional Water Supply Agreement**

On September 27, 2017, the District entered into a Third Amended and Restated Regional Water Supply Agreement (the “RWS Agreement”) with Fort Bend County Municipal Utility District No. 129 (MUD 129), Fort Bend County Municipal Utility District No. 46 (MUD 46) and Fort Bend County Municipal Utility District No. 115 (MUD 115), collectively the “Participating Districts”. The RWS Agreement establishes a regional water supply system with two existing water plants and establishes the terms and conditions under which the costs of operating the system will be shared between the Participating Districts. MUD 115 is responsible for operation of the water supply system and is required to establish a separate fund to account for the activities of the system. Legal ownership of the water plants is described by the RWS Agreement, with MUD 115 having legal title to Water Plant No. 1, and the District having legal title to Water Plant No. 2.

Each of the participating Districts is billed monthly for its proportionate share of maintenance and operating expenditures based on each District’s actual metered usage for that month. During the current year, the District paid \$453,391 to MUD 115 for its share of maintenance and operating and maintenance reserve as set forth in the RWS Agreement. As of July 31, 2020, the District recorded an operating reserve of \$129,633.

**Note 13 – Surface Water Conversion**

The Texas Legislature created the Fort Bend Subsidence District (the “Subsidence District”) to reduce subsidence by regulating the withdrawal of groundwater in Fort Bend County. The Subsidence District has mandated that water well permit holders must acquire no more than 70% of their total water supply from groundwater by the year 2013 and no more than 40% of the total water supply from groundwater by the year 2025. In order to achieve these objectives, water well permit holders may enter into agreements with other permit holders to develop a joint solution that reduces groundwater usage across the group as a whole, instead of for each individual permit holder.

The District entered in a groundwater reduction plan (GRP) with the City of Missouri City in 2010. This plan includes 40 separate entities (the “participants”) located within the City’s corporate limits and extraterritorial jurisdiction. The City is responsible for administering the GRP on behalf of the participants. The GRP calls for the construction of a 10-million gallon per day surface water treatment plant, which will be expanded in 2 phases to 21 million gallons in 2017 and to 33 million gallons in 2027. This plant began operations in the first quarter of 2012.



**Note 13 – Surface Water Conversion (continued)**

In order for the City to recover the costs associated with implementing the GRP, all participants pay the City a pumpage fee. The amount of the fee is periodically reviewed and adjusted by the City. Costs considered in determining the amount of the fee will ultimately include all costs to operate the surface water treatment plant, capital costs not paid by bonds, debt service requirements (if applicable) and groundwater production costs. As of July 31, 2020, the fees were \$1.72 per 1,000 gallons for groundwater pumpage and an additional \$0.47 per 1,000 gallons for surface water. The District passes these fees, plus 10%, to its customers as part of the District's standard monthly water and sewer bills. In July 2016, the District began to receive surface water from the City. During the current fiscal year, the District recorded \$416,472 in surface water revenues in the General Fund. Under the RWS Agreement, the pumpage fee and surface water are included in the monthly operation and maintenance charges billed by MUD 115.

**Note 14 – 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 15 – Infectious Disease Outlook (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. 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. On March 31, 2020, the Governor issued an executive order closing all non-essential businesses in the State. This order expired on April 30, 2020. Additionally, all the counties in the greater Houston area adopted various "Work Safe – Stay Home" orders. Such actions are focused on limiting instances where the public can congregate or interact with each other. These precautions resulted in the temporary closure of all non-essential businesses in the State.

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 the economic growth and financial markets worldwide and within Texas. These negative impacts may reduce or negatively affect property taxes and ad valorem tax revenues within the District.

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.

## **Required Supplementary Information**

*Fort Bend County Municipal Utility District No. 149  
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund  
 For the Year Ended July 31, 2020*

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Water service	\$ 234,000	\$ 234,000	\$ 263,417	\$ 29,417
Sewer service	720,000	720,000	786,162	66,162
Property taxes	470,891	614,351	627,530	13,179
Penalties and interest	21,600	21,600	13,614	(7,986)
Tap connection and inspection	50,700	50,700	43,126	(7,574)
Surface water	276,000	276,000	416,472	140,472
Fire service	144,369	144,369	134,031	(10,338)
Miscellaneous	10,941	10,941	9,791	(1,150)
Investment earnings	54,000	54,000	53,038	(962)
Total Revenues	<u>1,982,501</u>	<u>2,125,961</u>	<u>2,347,181</u>	<u>221,220</u>
<b>Expenditures</b>				
Current service operations				
Purchased services	599,421	599,421	665,544	(66,123)
Professional fees	101,488	101,488	103,043	(1,555)
Contracted services	633,575	640,796	624,199	16,597
Repairs and maintenance	143,204	143,204	117,180	26,024
Utilities	6,600	6,600	7,549	(949)
Administrative	69,135	69,635	57,100	12,535
Other	27,800	27,800	11,647	16,153
Total Expenditures	<u>1,581,223</u>	<u>1,588,944</u>	<u>1,586,262</u>	<u>2,682</u>
<b>Revenues Over Expenditures</b>	401,278	537,017	760,919	223,902
<b>Fund Balance</b>				
Beginning of the year	3,871,500	3,871,500	3,871,500	
<b>End of the year</b>	<u>\$ 4,272,778</u>	<u>\$ 4,408,517</u>	<u>\$ 4,632,419</u>	<u>\$ 223,902</u>

*Fort Bend County Municipal Utility District No. 149*  
*Notes to Required Supplementary Information*  
*July 31, 2020*

**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. 149**  
**TSI-1. Services and Rates**  
**July 31, 2020**

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 checked="" type="checkbox"/> Fire Protection | <input type="checkbox"/> Roads                            | <input checked="" 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):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 4.05	- 0 -	N	\$ 1.13	- 0 - to no limit
Wastewater:	\$ 36.25	- 0 -	N	\$ 2.21	- 0 - to no limit
GRP fee:	\$ 1.89	- 0 -	N		to _____

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \$ 34.25 Wastewater \$ 58.35

b. Water and Wastewater Retail Connections:

Meter Size	Total	Active	ESFC Factor	Active
Unmetered			x 1.0	
less than 3/4"	381	378	x 1.0	378
1"	932	925	x 2.5	2,313
1.5"	4	4	x 5.0	20
2"	23	23	x 8.0	184
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	1,340	1,330		2,895
Total Wastewater	1,280	1,270	x 1.0	1,270

See accompanying auditor's report.

**Fort Bend County Municipal Utility District No. 149**  
**TSI-1. Services and Rates**  
**July 31, 2020**

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 purchased from FB 115:	<u>174,011,700</u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>174,011,700</u>	<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: City of Missouri City

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 Missouri City

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. 149  
TSI-2 General Fund Expenditures  
For the Year Ended July 31, 2020*

Purchased services	<u>\$ 665,544</u>
Professional fees	
Legal	76,615
Audit	12,500
Engineering	13,928
	<u>103,043</u>
Contracted services	
Bookkeeping	25,928
Operator	34,727
Garbage collection	288,475
Tap connection and inspection	44,868
Security Service	95,233
Fire service	134,968
	<u>624,199</u>
Repairs and maintenance	<u>117,180</u>
Utilities	<u>7,549</u>
Administrative	
Directors fees	10,050
Printing and office supplies	18,499
Insurance	9,106
Other	19,445
	<u>57,100</u>
Other	<u>11,647</u>
Total expenditures	<u><u>\$ 1,586,262</u></u>

Reporting of Utility Services in Accordance with Chapter 2264, Texas Government Code.

	<u>Usage</u>	<u>Cost</u>
Electrical	36,573 kWh	\$ 5,998
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 149*  
*TSI-3. Investments*  
*July 31, 2020*

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexPool	Variable	N/A	\$ 1,736,431
Texas CLASS	Variable	N/A	<u>2,570,763</u>
			<u>4,307,194</u>
Debt Service			
TexPool	Variable	N/A	<u>2,675,113</u>
Capital Projects			
TexPool	Variable	N/A	<u>91,348</u>
Total - All Funds			<u><u>\$ 7,073,655</u></u>

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 149**  
**TSI-4. Taxes Levied and Receivable**  
**July 31, 2020**

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 3,586	\$ 14,267	\$ 17,853	
Adjustments	(13)	(48)	(61)	
Adjusted Receivable	3,573	14,219	17,792	
2019 Original Tax Levy	621,677	1,769,389	2,391,066	
Adjustments	5,752	16,372	22,124	
Adjusted Tax Levy	627,429	1,785,761	2,413,190	
Rollback taxes	356	1,425	1,781	
Total to be accounted for	631,358	1,801,405	2,432,763	
Tax collections:				
Current year	623,601	1,774,867	2,398,468	
Prior years	3,929	15,644	19,573	
Total Collections	627,530	1,790,511	2,418,041	
Taxes Receivable, End of Year	\$ 3,828	\$ 10,894	\$ 14,722	
Taxes Receivable, By Years				
2019	\$ 3,828	\$ 10,894	\$ 14,722	
Property Valuations:	2019	2018	2017	2016
Land	\$ 93,071,345	\$ 90,889,499	\$ 88,216,010	\$ 81,087,670
Improvements	396,004,542	364,506,450	382,056,395	358,413,735
Personal Property	1,511,440	1,629,340	1,473,530	1,607,410
Exemptions	(7,949,269)	(5,102,658)	(36,967,358)	(6,870,543)
Total Property Valuations	\$ 482,638,058	\$ 451,922,631	\$ 434,778,577	\$ 434,238,272
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.13	\$ 0.10	\$ 0.11	\$ 0.08
Debt service tax rates	0.37	0.40	0.39	0.42
Total Tax Rates per \$100 Valuation	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50
Adjusted Tax Levy:	\$ 2,413,190	\$ 2,259,613	\$ 2,173,893	\$ 2,171,191
Percentage of Taxes Collected to Taxes Levied **	99.39%	100.00%	100.00%	100.00%

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.25 on November 7, 2007

\*\* 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. 149  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2011--by Years  
 July 31, 2020*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 75,000	\$ 100,467	\$ 175,467
2022	80,000	97,230	177,230
2023	80,000	93,770	173,770
2024	85,000	90,098	175,098
2025	90,000	86,093	176,093
2026	100,000	81,625	181,625
2027	105,000	76,625	181,625
2028	110,000	71,250	181,250
2029	120,000	65,500	185,500
2030	125,000	59,375	184,375
2031	135,000	52,875	187,875
2032	140,000	46,000	186,000
2033	150,000	38,750	188,750
2034	160,000	31,000	191,000
2035	170,000	22,750	192,750
2036	180,000	14,000	194,000
2037	190,000	4,750	194,750
	<u>\$ 2,095,000</u>	<u>\$ 1,032,158</u>	<u>\$ 3,127,158</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 149*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2013--by Years*  
*July 31, 2020*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2021	\$ 155,000	\$ 152,294	\$ 307,294
2022	165,000	147,765	312,765
2023	170,000	142,655	312,655
2024	180,000	137,230	317,230
2025	185,000	131,388	316,388
2026	195,000	125,118	320,118
2027	205,000	118,313	323,313
2028	215,000	110,963	325,963
2029	220,000	103,240	323,240
2030	230,000	95,140	325,140
2031	245,000	86,100	331,100
2032	255,000	76,100	331,100
2033	265,000	65,700	330,700
2034	275,000	54,900	329,900
2035	290,000	43,600	333,600
2036	300,000	31,800	331,800
2037	315,000	19,500	334,500
2038	330,000	6,600	336,600
	<u>\$ 4,195,000</u>	<u>\$ 1,648,406</u>	<u>\$ 5,843,406</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 149*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2014--by Years*  
*July 31, 2020*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2021	\$ 350,000	\$ 354,988	\$ 704,988
2022	365,000	344,263	709,263
2023	380,000	331,187	711,187
2024	400,000	317,588	717,588
2025	415,000	305,363	720,363
2026	430,000	292,688	722,688
2027	450,000	279,206	729,206
2028	470,000	264,538	734,538
2029	490,000	248,630	738,630
2030	510,000	231,436	741,436
2031	530,000	213,237	743,237
2032	555,000	193,555	748,555
2033	580,000	172,275	752,275
2034	605,000	149,300	754,300
2035	630,000	124,600	754,600
2036	655,000	98,900	753,900
2037	685,000	72,100	757,100
2038	715,000	44,100	759,100
2039	745,000	14,900	759,900
	<u>\$ 9,960,000</u>	<u>\$ 4,052,854</u>	<u>\$ 14,012,854</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 149*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2015--by Years*  
*July 31, 2020*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 310,000	\$ 253,976	\$ 563,976
2022	305,000	247,826	552,826
2023	315,000	241,390	556,390
2024	320,000	234,324	554,324
2025	325,000	226,581	551,581
2026	325,000	218,050	543,050
2027	330,000	209,044	539,044
2028	330,000	199,969	529,969
2029	335,000	190,406	525,406
2030	345,000	179,991	524,991
2031	345,000	169,209	514,209
2032	355,000	158,050	513,050
2033	360,000	146,206	506,206
2034	370,000	133,888	503,888
2035	375,000	121,316	496,316
2036	390,000	108,406	498,406
2037	395,000	94,913	489,913
2038	605,000	75,900	680,900
2039	515,000	53,500	568,500
2040	530,000	32,600	562,600
2041	550,000	11,000	561,000
	<u>\$ 8,030,000</u>	<u>\$ 3,306,545</u>	<u>\$ 11,336,545</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 149  
 TSI-5. Long-Term Debt Service Requirements  
 All Bonded Debt Series--by Years  
 July 31, 2020*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2021	\$ 890,000	\$ 861,725	\$ 1,751,725
2022	915,000	837,084	1,752,084
2023	945,000	809,002	1,754,002
2024	985,000	779,240	1,764,240
2025	1,015,000	749,425	1,764,425
2026	1,050,000	717,481	1,767,481
2027	1,090,000	683,188	1,773,188
2028	1,125,000	646,720	1,771,720
2029	1,165,000	607,776	1,772,776
2030	1,210,000	565,942	1,775,942
2031	1,255,000	521,421	1,776,421
2032	1,305,000	473,705	1,778,705
2033	1,355,000	422,931	1,777,931
2034	1,410,000	369,088	1,779,088
2035	1,465,000	312,266	1,777,266
2036	1,525,000	253,106	1,778,106
2037	1,585,000	191,263	1,776,263
2038	1,650,000	126,600	1,776,600
2039	1,260,000	68,400	1,328,400
2040	530,000	32,600	562,600
2041	550,000	11,000	561,000
	<u>\$ 24,280,000</u>	<u>\$ 10,039,963</u>	<u>\$ 34,319,963</u>

See accompanying auditors' report.



**Fort Bend County Municipal Utility District No. 149**  
**TSI-6. Change in Long-Term Bonded Debt**  
**July 31, 2020**

	Bond Issue				Totals
	Series 2011	Series 2013	Series 2014	Series 2015	
Interest rate	3.0% - 5.0%	2.0% - 4.0%	2.0% - 4.0%	2.0% - 4.0%	
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1	
Maturity dates	9/1/13 - 9/1/36	9/1/14 - 9/1/37	9/1/15 - 9/1/38	9/1/17 - 9/1/40	
Beginning bonds outstanding	\$ 2,165,000	\$ 4,345,000	\$ 10,295,000	\$ 8,340,000	\$ 25,145,000
Bonds retired	(70,000)	(150,000)	(335,000)	(310,000)	(865,000)
Ending bonds outstanding	<u>\$ 2,095,000</u>	<u>\$ 4,195,000</u>	<u>\$ 9,960,000</u>	<u>\$ 8,030,000</u>	<u>\$ 24,280,000</u>
Interest paid during fiscal year	<u>\$ 103,405</u>	<u>\$ 156,148</u>	<u>\$ 363,588</u>	<u>\$ 260,176</u>	<u>\$ 883,317</u>
Paying agent's name and city					
Series 2011 and 2013	The Bank of New York Mellon Trust Company, N.A., Dallas TX				
Series 2014 and 2015	Regions Bank, Houston, Texas				
	Water, Sewer and Drainage				
Bond Authority:	Bonds				
Amount Authorized by Voters	\$ 63,400,000				
Amount Issued	<u>(27,905,000)</u>				
Remaining To Be Issued	<u>\$ 35,495,000</u>				

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

Debt Service Fund cash and investment balances as of July 31, 2020:	<u>\$ 2,737,163</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 1,634,284</u>

See accompanying auditors' report.

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**Fort Bend County Municipal Utility District No. 149**  
**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund**  
**For the Last Five Fiscal Years**

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Water service	\$ 263,417	\$ 233,923	\$ 228,676	\$ 233,917	\$ 209,539
Sewer service	786,162	740,139	688,021	724,315	649,520
Property taxes	627,530	448,545	477,821	348,386	360,412
Penalties and interest	13,614	20,667	13,953	13,143	12,062
Tap connection and inspection	43,126	53,240	73,405	146,741	210,094
Surface water	416,472	311,012	266,619	292,381	275,709
Fire service	134,031	130,331	118,828	121,800	112,681
Miscellaneous	9,791	12,276	7,099	14,334	11,410
Investment earnings	53,038	77,772	46,366	16,631	5,436
Total Revenues	<u>2,347,181</u>	<u>2,027,905</u>	<u>1,920,788</u>	<u>1,911,648</u>	<u>1,846,863</u>
Expenditures					
Current service operations					
Purchased services	665,544	502,899	541,608	574,893	599,896
Professional fees	103,043	96,999	104,205	108,144	96,183
Contracted services	624,199	576,633	650,567	603,292	580,033
Repairs and maintenance	117,180	111,568	168,732	117,115	90,294
Utilities	7,549	5,779	6,178	4,984	6,198
Administrative	57,100	62,579	72,954	59,616	60,318
Other	11,647	19,211	85,956	19,930	12,159
Capital outlay			258,722		
Total Expenditures	<u>1,586,262</u>	<u>1,375,668</u>	<u>1,888,922</u>	<u>1,487,974</u>	<u>1,445,081</u>
Revenues Over Expenditures	<u>\$ 760,919</u>	<u>\$ 652,237</u>	<u>\$ 31,866</u>	<u>\$ 423,674</u>	<u>\$ 401,782</u>
Total Active Retail Water Connections	<u>1,330</u>	<u>1,310</u>	<u>1,281</u>	<u>1,241</u>	<u>1,159</u>
Total Active Retail Wastewater Connections	<u>1,270</u>	<u>1,255</u>	<u>1,230</u>	<u>1,191</u>	<u>1,109</u>

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
11%	12%	12%	12%	11%
33%	36%	36%	38%	35%
27%	22%	25%	18%	20%
1%	1%	1%	1%	1%
2%	3%	4%	8%	11%
18%	15%	14%	15%	15%
6%	6%	6%	6%	6%
*	1%	*	1%	1%
2%	4%	2%	1%	*
<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
28%	25%	28%	30%	32%
4%	5%	5%	6%	5%
27%	28%	34%	32%	31%
5%	6%	9%	6%	5%
*	*	*	*	*
2%	3%	4%	3%	3%
*	1%	4%	1%	1%
		13%		
<u>66%</u>	<u>68%</u>	<u>97%</u>	<u>78%</u>	<u>77%</u>
<u>34%</u>	<u>32%</u>	<u>3%</u>	<u>22%</u>	<u>23%</u>

**Fort Bend County Municipal Utility District No. 149**  
**TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund**  
**For the Last Five Fiscal Years**

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Property taxes	\$1,790,511	\$1,794,645	\$1,695,733	\$1,829,207	\$ 1,973,009
Penalties and interest	15,431	8,891	6,351	8,801	8,345
Accrued interest on bonds sold					6,124
Investment earnings	22,405	48,354	29,770	13,040	4,366
Total Revenues	<u>1,828,347</u>	<u>1,851,890</u>	<u>1,731,854</u>	<u>1,851,048</u>	<u>1,991,844</u>
Expenditures					
Tax collection services	49,384	44,501	41,081	40,827	36,608
Debt service					
Principal	865,000	840,000	815,000	480,000	405,000
Interest and fees	886,179	904,906	922,584	936,328	739,864
Total Expenditures	<u>1,800,563</u>	<u>1,789,407</u>	<u>1,778,665</u>	<u>1,457,155</u>	<u>1,181,472</u>
Revenues Over/(Under) Expenditures	<u>\$ 27,784</u>	<u>\$ 62,483</u>	<u>\$ (46,811)</u>	<u>\$ 393,893</u>	<u>\$ 810,372</u>

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
98%	97%	98%	99%	100%
1%	*	*	*	*
1%	3%	2%	1%	*
100%	100%	100%	100%	100%
3%	2%	2%	2%	2%
47%	45%	47%	26%	20%
48%	49%	53%	51%	37%
98%	96%	102%	79%	59%
2%	4%	(2%)	21%	41%

**Fort Bend County Municipal Utility District No. 149**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended July 31, 2020**

Complete District Mailing Address: 202 Century Square Blvd, Sugar Land, TX 77478  
District Business Telephone Number: (281) 500-6050  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): June 8, 2020  
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>				
Susan Winters	05/18 - 05/22	\$ 2,100	\$ 81	President
Ray Aguilar	05/20 - 05/24	1,800	104	Vice President
Rose Herbst	05/18 - 05/22	1,950	146	Secretary
Kristi McLeod	05/20 - 05/24	2,250	93	Assistant Secretary
Laura Thompson	05/18 - 05/22	1,950	93	Assistant Vice President
<b>Consultants</b>				
		<u>Amounts Paid</u>		
The Muller Law Group	2014	\$ 113,750		Attorney
Si Environmental, LLC	2012	182,689		Operator
McLennan & Associates, LP	2007	28,851		Bookkeeper
Tax Tech, Inc.	2007	22,387		Tax Collector
Fort Bend Central Appraisal District	Legislation	17,706		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	2007	3,066		Delinquent Tax Attorney
Costello, Inc.	2007			Engineer
<i>Amounts paid directly by district</i>		16,143		
McGrath & Co., PLLC	Annual	12,500		Auditor
R. W. Baird & Co.	2015			Financial Advisor

\* *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:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, 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 Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

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 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 AGM 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

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

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100