

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 12, 2020

This Preliminary Official Statement is subject to completion and amendment. Upon sale of the Bonds, the Official Statement will be completed and delivered to the Underwriter.

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS WILL BE DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE – Book Entry Only

Underlying Rating: Moody's "A2"
See "MUNICIPAL BOND RATING AND
MUNICIPAL BOND INSURANCE" herein.

\$6,705,000*
FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
(A political subdivision of the State of Texas located within Fort Bend County)
UNLIMITED TAX REFUNDING BONDS
SERIES 2020

Dated: March 1, 2020

Due: March 1, as shown below

The bonds described above (the "Bonds") are obligations solely of Fort Bend County Municipal Utility District No. 146 (the "District") and are not obligations of the State of Texas, Fort Bend County, the City of Houston or any entity other than the District. Principal of the Bonds is payable at maturity at the principal payment office of the paying agent/registrar, initially U.S. Bank, N.A., Houston, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from March 1, 2020, and is payable each September 1 and March 1, commencing September 1, 2020, until maturity or prior redemption. The Bonds will be issued only in fully registered form and in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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

MATURITY SCHEDULE

Due (March 1)	Principal* Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (March 1)	Principal* Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2021	\$ 35,000				2030	\$ 920,000 (c)			
2022	210,000				2031	505,000 (c)			
2023	760,000				2032	150,000 (c)			
2024	210,000				2033	150,000 (c)			
2025	210,000				2034	145,000 (c)			
2026	210,000				2035	145,000 (c)			
2027	865,000 (c)				2036	140,000 (c)			
2028	880,000 (c)				2037	135,000 (c)			
2029	900,000 (c)				2038	135,000 (c)			

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

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount levied against all taxable property in the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. Bond purchasers are encouraged to read this OFFICIAL STATEMENT prior to making an investment decision. The proceeds of the Bonds will be applied to refund certain outstanding bonds of the District and to pay certain costs in connection with the issuance of the Bonds in order to achieve gross and net present value savings. See "PLAN OF FINANCING."

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Bond Counsel. Certain other legal matters will be passed upon, on behalf of the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas. Delivery of the Bonds in book-entry form through the facilities of the DTC is expected on or about March 19, 2020.

RAYMOND JAMES

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an Official Statement with respect to the Bonds that has been “deemed final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027-7528 upon payment of the costs of duplication therefor.

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

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by Raymond James & Associates, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$_____ (representing the par amount of the Bonds of \$_____, plus/minus a net premium/discount on the Bonds of \$_____, less an Underwriter’s discount of \$_____) plus accrued interest. The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

The Underwriter has provided the following sentence for inclusion in this Preliminary Official Statement. The Underwriter has reviewed the information in this Preliminary Official Statement pursuant to its responsibilities to investors under federal securities law, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed 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 guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

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

HURRICANE HARVEY

General...

The greater Houston area, including Fort Bend County, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

Impact on the District...

According to Environmental Development Partners, LLC (the “Operator”) and Costello, Inc. (the “Engineer”), the District’s water and wastewater system sustained no material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, the District did not receive reports of any homes or commercial improvements within the District that experienced structural flooding or other material damage.

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

THE DISTRICT

Description...

The District is a political subdivision of the State of Texas, created by order of the Texas Commission on Environmental Quality (“TCEQ”), on February 18, 2004, and operates pursuant to Chapters 49 and 54 of the Texas Water Code. At the time of creation, the District contained approximately 395 acres of land. Subsequent to creation, the District annexed approximately 430 acres, which brings the total District acreage to approximately 825 acres. See “THE DISTRICT.”

Location...

The District is located approximately 23 miles southwest of the central downtown business district of the City of Houston and lies wholly within the extraterritorial jurisdiction of the City of Houston. The majority of the District is within the boundaries of the Lamar Consolidated Independent School District and a small portion is within the Fort Bend Independent School District. The District is bounded on the east and north by Texas State Highway 99 (the “Grand Parkway”) and on the west and south by Skinner Lane. See “THE DISTRICT.”

Status of Development...

The District has been developed as part of a master-planned community, Long Meadow Farms with 1,696 single-family residential lots on approximately 623 acres with completed homes on all lots (1,689 occupied, 7 unoccupied). Homes within the District range in market value from approximately \$225,000 to \$650,000.

Water, sewer and drainage facilities are complete for approximately 41 acres of commercial tracts within the District where two medical office buildings with urgent care facilities, a Montessori school, the Goddard School (a children’s daycare center), two auto care businesses, an Exclusive Furniture retail business and 3 retail centers that include a Starbucks, a cupcake shop, two nail salons, a Papa John’s Pizza, a dentist office, a dialysis center, a Sherwin Williams paint store, a flooring store, an Avis/Budget rental facility, a barbecue restaurant, an Italian restaurant, a Farmers Insurance, a Smoothie King, a hair salon, a beauty supply store, a pet grooming facility, a barber shop, a sports bar, a pizzeria, a Fidelity Investments and a fitness gym have been constructed, with the remainder available for tenants.

In addition, a 210-unit apartment complex has been constructed on approximately 9 acres in the District. An elementary school has been constructed on approximately 15 acres in the District. Approximately 137 acres are not developable (rights-of-way, detention, open spaces, easements and utility sites). See “THE DISTRICT.”

Payment Record...

The District has previously issued \$50,085,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing a water, wastewater and/or storm drainage system in thirteen series, \$6,415,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing park and recreational facilities in three series and \$26,915,000 principal amount of unlimited tax refunding bonds in five series, of which \$39,895,000 in principal amount collectively remains outstanding (the “Outstanding Bonds”). The District has never defaulted on the payment of debt service on the Outstanding Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”

THE BONDS

Description...

\$6,705,000* Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”) mature serially on March 1 in each year 2021 through 2038, both inclusive, in the principal amounts set forth on the cover page. Interest accrues from March 1, 2020, at the rates per annum set forth on the cover page hereof, and is payable September 1, 2020, and each March 1 and September 1 thereafter, until stated maturity or prior redemption. The Bonds will be issued pursuant to a resolution authorizing the issuance of the Bonds adopted by the Board (the “Bond Resolution”), in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. See “THE BONDS—Description.”

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 “BOOK- ENTRY-ONLY SYSTEM.”

Redemption...

Bonds maturing on or after March 1, 2027 are subject to redemption at the option of the District prior to their maturity dates on March 1, 2026, or on any date thereafter at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”

Use of Proceeds...

Proceeds from the sale of the Bonds and available debt service funds, if any, will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund \$6,500,000* of the Outstanding Bonds in order to achieve net savings in the District’s annual debt service expense. The bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” After the issuance of the Bonds, \$33,395,000* principal amount of the Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”). See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED).”

Authority for Issuance...

The Bonds are the sixth series of bonds issued out of an aggregate of \$24,300,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of refunding outstanding bonds of the District. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, the City of Houston Ordinance No. 97-416, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS— Authority for Issuance,” “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”

*Preliminary, subject to change.

<i>Source of Payment...</i>	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations of the District and are not obligations of Fort Bend County, the State of Texas, the City of Houston, or any entity other than the District. See “THE BONDS—Source of Payment.”
<i>Municipal Bond Rating...</i>	Moody’s Investors Service (“Moody’s”) has assigned an underlying rating of “A2” to the Bonds. The rating fee of Moody’s will be paid for by the District; payment of any other rating fee will be the responsibility of the Underwriter. The use of insurance and the payment of an insurance premium will be available at the District’s option and expense. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance” and “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”
<i>Qualified Tax-Exempt Obligations...</i>	The Bonds will be designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.
<i>Bond Counsel...</i>	Allen Boone Humphries Robinson LLP, Houston, Texas. See “MANAGEMENT OF THE DISTRICT,” “LEGAL MATTERS” and “TAX MATTERS.”
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas.
<i>Underwriter’s Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Paying Agent/Registrar...</i>	U.S. Bank, N.A., Houston, Texas. See “THE BONDS— Method of Payment of Principal and Interest.”
<i>Paying Agent of Refunded Bonds...</i>	U.S. Bank, N.A., Houston, Texas. See “PLAN OF FINANCING—Defeasance of Refunded Bonds.”
<i>Verification Agent...</i>	Public Finance Partners LLC, Rockford, Minnesota. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2019 Certified Taxable Assessed Valuation.....	\$603,401,407 (a)
Gross Direct Debt Outstanding	\$40,100,000* (b)
Estimated Overlapping Debt	<u>41,988,213 (c)</u>
Gross Direct Debt and Estimated Overlapping Debt.....	\$82,088,213*
Ratio of Gross Direct Debt to:	
2019 Certified Taxable Assessed Valuation	6.65%*
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	
2019 Certified Taxable Assessed Valuation	13.60%*
Debt Service Funds Available as of February 12, 2020	\$3,232,873 (d)
Operating Funds Available as of February 12, 2020	\$4,772,183
2019 Debt Service Tax Rate.....	\$0.59
2019 Maintenance Tax Rate.....	<u>0.26</u>
2019 Total Tax Rate.....	\$0.85
Average Annual Debt Service Requirement (2020-2040).....	\$2,437,480* (b)
Maximum Debt Service Requirement (2020)	\$3,706,608* (b)
Tax Rate Required to Pay Average Annual Debt Service (2020-2040) at a 95% Collection Rate:	
Based upon 2019 Certified Taxable Assessed Valuation	\$0.43*
Tax Rate Required to Pay Maximum Annual Debt Service (2020) at a 95% Collection Rate:	
Based upon 2019 Certified Taxable Assessed Valuation.....	\$0.65*
Status of Development as of January 2020 (e):	
Completed Homes (1,689 occupied).....	1,696
Multi-Family Units	210
Commercial (e)	
Estimated Population	6,289 (f)

(a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District").

(b) After the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

(c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt" and "—Overlapping Taxes."

(d) Approximately \$15,000* will be applied towards the issuance of the Bonds.

(e) See "THE DISTRICT—Land Use" and "—Status of Development."

(f) Based on 3.5 persons per occupied single-family residence and 2.0 person per apartment unit (assumed occupancy of 90%).

* Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT

\$6,705,000*

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
(A political subdivision of the State of Texas located within Fort Bend County)
UNLIMITED TAX REFUNDING BONDS
SERIES 2020

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 146 (the “District”) of its \$6,705,000* Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, the City of Houston Ordinance No. 97-416, an election held within the District, and a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”).

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs.

PLAN OF FINANCING

Purpose

At bond elections held within the District, voters of the District have authorized the issuance of \$126,000,000 principal amount of unlimited tax bonds for the purpose of constructing and acquiring water, wastewater and storm drainage facilities, \$10,200,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing park and recreational facilities, and \$24,300,000 principal amount of unlimited tax refunding bonds and could authorize additional amounts. The District currently has \$75,915,000 principal amount of unlimited tax bonds authorized but unissued for purchasing and constructing a water, wastewater and/or storm drainage system, \$3,785,000 principal amount of unlimited tax bonds for purchasing and constructing parks and recreational facilities and \$22,910,000 for refunding purposes. The District currently has \$39,895,000 principal amount of bond outstanding (the “Outstanding Bonds”).

The proceeds of the Bonds and available debt service funds, if any will be used to currently refund and defease a portion of the District’s Unlimited Tax Refunding Bonds, Series 2012 and Unlimited Tax Bonds, Series 2013, totaling \$6,500,000* (collectively the “Refunded Bonds”) in order to achieve a net savings in the District’s debt service expense. The proceeds will also be used to pay the costs of issuance of the Bonds. See “Sources and Uses of Funds” below. A total of \$33,395,000* in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the “Remaining Outstanding Bonds”). See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “—Outstanding Bonds.”

* Preliminary, subject to change.

Refunded Bonds

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

<u>Maturity Date</u> <u>September 1</u>	<u>Series</u> <u>2012*</u>	<u>Maturity Date</u> <u>September 1</u>	<u>Series</u> <u>2013*</u>
2022		2022	\$ 170,000
2023	\$ 540,000	2023	170,000
2024	-	2024	170,000
2025	-	2025	170,000
2026	-	2026	170,000
2027	650,000	2027	170,000
2028	675,000	2028	170,000
2029	710,000	2029	165,000
2030	740,000	2030	165,000
2031	345,000	2031	165,000
2032	-	2032	165,000
2033	-	2033	165,000
2034	-	2034	165,000
2035	-	2035	165,000
2036	-	2036	165,000
2037	-	2037	165,000
2038	-	2038	165,000
	<u>\$ 3,660,000</u>		<u>\$ 2,840,000</u>

Redemption Date: March 30, 2020

Redemption Date: March 30, 2020

Defeasance of Refunded Bonds

The Refunded Bonds, and the interest due thereon, are to be paid on each principal or Interest Payment Date and on the redemption date from funds to be deposited with U.S. Bank, N.A., as paying agent for the Refunded Bonds.

The Bond Resolution provides that from the proceeds of the sale of the Bonds and lawfully available debt service funds, if any, the District will deposit with the Paying Agent for the Refunded Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Paying Agent for the Refunded Bonds in a segregated payment account (the "Payment Account"). At the time of delivery of the Bonds, Public Finance Partners LLC, will verify to the District, the Paying Agent for the Refunded Bonds, Bond Counsel, and the Financial Advisor that the monies held in the Payment Account are sufficient to pay, when due, the principal of and interest on the Refunded Bonds. By the deposit of the cash with the Paying Agent for the Refunded Bonds and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolutions of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of the amounts so deposited in the Payment Account, and the amounts so deposited in the Payment Account will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

*Preliminary, subject to change.

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, will be applied as follows:

Sources of Funds:

Principal Amount of the Bonds	\$ _____
Plus/(Minus): Net Premium/(Discount) on the Bonds	_____
Plus: Debt Service Fund Contribution	_____
Total Sources of Funds.....	\$ _____

Uses of Funds:

Deposit to Payment Account	\$ _____
Issuance Expenses and Underwriter's Discount (a)	_____
Total Uses of Funds.....	\$ _____

(a) Includes municipal bond insurance premium.

THE BONDS

Description

The Bonds will be dated and accrue interest from March 1, 2020, with interest payable each September 1 and March 1, beginning September 1, 2020 (the "Interest Payment Date"), and will mature on the dates and in the amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

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

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

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 appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate, 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 costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Fort Bend County, the City of Houston, or any entity other than the District.

Funds

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

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. Any monies remaining after the refunding of the Refunded Bonds and payment of issuance costs will be deposited into the Debt Service Fund.

Redemption Provisions

Bonds maturing on or after March 1, 2027 are subject to redemption at the option of the District prior to their maturity dates on March 1, 2026, or on any date thereafter at a price of par plus unpaid accrued interest from the most recent Interest Payment Date to the date fixed for redemption.

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). If less than all the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the District prior to the redemption date by such random method as the District shall deem fair and appropriate (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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

Authority for Issuance

At a bond election held within the District, voters of the District have authorized the issuance of \$24,300,000 principal amount of unlimited tax refunding bonds. See "Issuance of Additional Debt" below.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, Chapter 1207 of the Texas Government Code, City of Houston Ordinance No. 97-416, an election held within the District and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

In the event the Book-Entry-Only System is discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

Replacement of Paying Agent/Registrar

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

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bonds. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Issuance of Additional Debt

At bond elections held within the District, voters of the District have authorized the issuance of \$126,000,000 principal amount of unlimited tax bonds for the purpose of constructing and acquiring water, wastewater and storm drainage facilities, \$10,200,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing park and recreational facilities, and \$24,300,000 principal amount of unlimited tax refunding bonds and could authorize additional amounts. The District currently has \$75,915,000 principal amount of unlimited tax bonds authorized but unissued for purchasing and constructing a water, wastewater and/or storm drainage system, \$3,785,000 principal amount of unlimited tax bonds authorized but unissued for purchasing and constructing parks and recreational facilities, and \$22,975,000 principal amount of unlimited tax refunding bonds authorized but unissued. After the issuance of the Bonds, \$22,705,000* principal amount of unlimited tax refunding bonds will remain authorized but unissued.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. The District prepared a detailed fire plan which was approved by the TCEQ and the District's voters on November 6, 2007. The fire plan does not call for the issuance of bonds but for a mandatory fee and monetary contribution to the City of Richmond, Texas. Fire protection is currently provided to property in the District by the City of Richmond, Texas, which operates a fire station on Mason Road, approximately one-half mile from the District. Pursuant to the Fire Protection Agreement, as amended, the District made capital contributions totaling \$189,463.29 towards the fire station. The Agreement additionally calls for the District to pay a monthly charge not to exceed \$15.00 per unit and is adjusted annually by 100% of the increase, if any, between the most recently published Consumer Price Index ("CPI") and the CPI for the preceding calendar year. The District's current monthly charge is \$11.87 per unit. When and if the District is annexed by the City of Houston, and dissolved, this Fire Protection Agreement with the City of Richmond terminates. See "Annexation by the City of Houston" below.

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City of Houston and the District specifying the procedures for full purpose annexation of all or a portion of the District. See "Strategic Partnership Agreement," below, for a description of the terms of the Strategic Partnership Agreement between the City of Houston and the District.

*Preliminary, subject to change.

If the District is annexed, the City of Houston will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

Strategic Partnership Agreement

The District has entered into a Strategic Partnership Agreement (the "SPA") with the City of Houston (the "City"), effective December 20, 2007 and amended May 2012, pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" of that portion of the District developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances and to impose a sales tax within that portion of the District. Residential development within the District is not subject to the limited purpose annexation. Pursuant to the terms of the SPA, certain commercial tracts within the District have been annexed into the City of Houston for limited purposes and the City has imposed a one percent (1%) sales and use tax (but no property tax) within the areas of limited-purpose annexation and agreed to remit one-half of such sales and use tax to the District to be used for any lawful District purpose. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the effective date of the SPA. Also, as a condition to full purpose annexation under the SPA, any unpaid reimbursement obligations due to a developer by the District for water, wastewater, and drainage facilities must be assumed by the City to the maximum extent permitted by TCEQ rules.

Consolidation

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

Fort Bend County Assistance District No. 2

A portion of the District lies within the Fort Bend County Assistance District No. 2 ("FBCAD2"), which levies a 1% sales tax upon property within its boundaries.

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

- “(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.”
- “(b) A district’s bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.”

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

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

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, 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 the 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.

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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 S&P Global Ratings’ highest rating of AA+. 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.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. 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 the District (or the Trustee on behalf thereof) 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).

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

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

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

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

THE DISTRICT

General

The District is a municipal utility district created by an order of the TCEQ dated February 18, 2004, after a hearing on a petition for creation submitted by LM Development. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also authorized to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purposes. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts or municipalities. Additionally, the District may, subject to the granting of road powers by the TCEQ and certain limitations, develop and finance roads. See "THE BONDS—Issuance of Additional Debt."

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

Description and Location

At the time of creation, the District contained approximately 395 acres of land. Subsequent to creation, the District annexed approximately 430 acres, which brings the total District acreage to approximately 825 acres. The District is located approximately 23 miles southwest of the central downtown business district of the City of Houston and lies wholly within the extraterritorial jurisdiction of the City of Houston. The majority of the District is within the boundaries of the Lamar Consolidated Independent School District and a small portion is within the Fort Bend Independent School District. The southern boundary of the District is approximately 2,400 feet south of Oyster Creek. The District is bounded on the east and north by Texas State Highway 99 (the "Grand Parkway") and on the west and south by Skinner Lane.

Land Use

The District includes approximately 623 developed acres of single-family residential development (1,696 lots), approximately 50 acres of commercial and multi-family development, approximately 137 undevelopable acres (drainage and pipeline easements, street rights-of-way and utility sites), and approximately 15 acres developed as a public school site where one elementary school has been constructed. The table below represents a detailed breakdown of the current acreage and development in the District.

	Approximate <u>Acres</u>	<u>Lots/Units</u>
<i><u>Single-Family Residential</u></i>		
Section One.....	29	94
Section Two.....	34	96
Section Three.....	49	71
Section Four.....	28	77
Section Five.....	15	65
Section Six.....	16	33
Section Seven.....	16	32
Section Eight.....	9	29
Section Nine.....	24	33
Section Ten.....	18	64
Section Eleven.....	24	69
Section Twelve.....	25	60
Section Thirteen.....	20	81
Section Fourteen.....	32	69
Section Fifteen.....	17	83
Section Sixteen (Phase I).....	11	60
Section Sixteen (Phase II).....	11	46
Section Seventeen.....	17	32
Section Eighteen.....	21	70
Section Nineteen.....	24	84
Section Twenty.....	9	23
Section Twenty-One.....	24	76
Section Twenty-Two.....	13	28
Section Twenty-Three.....	18	43
Section Twenty-Eight.....	17	43
Section Twenty-Nine.....	13	41
Section Thirty-Three.....	27	46
Section Thirty-Four.....	17	44
Section Thirty-Five.....	22	48
Section Thirty-Six.....	15	41
Section Thirty-Seven.....	<u>8</u>	<u>15</u>
<i>Total Single-Family Residential.....</i>	623	1,696
<i>Commercial.....</i>	41	-
<i>Multi-Family.....</i>	9	210
<i>School Site (a).....</i>	15	-
<i>Non-Developable (b).....</i>	<u>137</u>	<u>-</u>
<i>Totals.....</i>	825	1,906

(a) Approximately 15 acres have been developed as a public school site where one elementary school has been constructed (non-taxable).

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

Status of Development

Single-Family Residential: The District has been developed as part of a master-planned community, Long Meadow Farms, 1,696 single-family residential lots on approximately 623 acres with completed homes on all lots (1,689 occupied, 7 unoccupied). Homes within the District range in market value from approximately \$225,000 to \$650,000. The estimated population in the District (based upon 3.5 persons per occupied single-family residence and 2.0 persons per apartment unit, assumed 90% occupancy) is 6,289. See "Land Use" above.

Commercial/Schools: Water, sewer and drainage facilities are complete for approximately 41 acres of commercial tracts within the District where two medical office buildings with urgent care facilities, a Montessori school, the Goddard School (a children's daycare center), two auto care businesses, an Exclusive Furniture retail business and 3 retail centers that include a Starbucks, a cupcake shop, two nail salons, a Papa John's Pizza, a dentist office, a dialysis center, a Sherwin Williams paint store, a flooring store, an Avis/Budget rental facility, a barbecue restaurant, an Italian restaurant, a Farmers Insurance, a Smoothie King, a hair salon, a beauty supply store, a pet grooming facility, a barber shop, a sports bar, a pizzeria, a Fidelity Investments and a fitness gym have been constructed, with the remainder available for tenants. Approximately 15 acres are the site of one elementary school.

Multi-Family Residential: A 210-unit apartment community has been constructed on approximately 9 acres.

MANAGEMENT OF THE DISTRICT

Board of Directors

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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Yentzen	President	May 2020
Thomas Kolb	Vice President	May 2022
Richard Stolleis	Secretary	May 2020
Dominic Cashiola	Assistant Vice President/Secretary	May 2022
Alfred White	Assistant Secretary	May 2020

District Consultants

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

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

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

Auditor: The District's audited financial statement for the fiscal year ended December 31, 2018, was prepared by McCall Gibson Swedlund Barfoot, PLLC, Certified Public Accountants. See "APPENDIX A." McCall Gibson Swedlund Barfoot, PLLC, has been engaged by the District to audit the District's financial statements for the period ending December 31, 2019.

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

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

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Tax Tech, Inc. (the "Tax Assessor/Collector") has been employed by the District to serve in this capacity.

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

THE SYSTEM

Regulation

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

Water Supply

Water supply for the District is provided by three water plants and by surface water received from the North Fort Bend Water Authority (the "Authority"). Water Plant No. 1, currently consists of a 1,500 gallon per minute ("gpm") water well, two 15,000-gallon pressure tanks, two 311,499-gallon ground storage facilities and 4,500 gpm of booster pump capacity. Water Plant No. 2 consists of a 350 gpm water well, a 5,000-gallon pressure tank, a 73,469 gallon ground storage tank and 1,050 gpm of booster pump capacity. Water Plant No. 3, Phase I consists of a 20,000-gallon pressure tank, a 227,500-gallon ground storage facility and 2,790 gpm of booster pump capacity and Water Plant No. 3, Phase IA consists of a 25,000 gallon pressure tank. Water Plant No. 3, Phase 2 consists of a 25,000 gallon pressure tank, a 227,500 gallon ground storage facility and 2,790 gpm of booster pump capacity. Additionally, the Authority supplies surface water to the water plants owned and operated by the District. Collectively, all three water plants adequately serve 5,500 equivalent single-family connections ("esfcs"). The District has a contract for water and wastewater services with Fort Bend County Municipal Utility District No. 194 ("MUD 194") and shares capacity in the water plants and sewage treatment plant. The District is allocated 3,801 esfcs and MUD 194 has purchased 1,699 esfcs in the regional system. As of January 2020, the District was serving 1,852 active connections (including 1,689 occupied homes.)

Subsidence and Conversion to Surface Water Supply

The District and MUD 194 are 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 areas served by the District. In 2005, the Texas legislature created the Authority to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Fort Bend County (including the District) and a small portion of Harris County. The Authority has entered into a Water Supply Contract with the City of Houston to obtain treated surface water from the City of Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District is included within the Authority's GRP.

The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees imposed on the District for groundwater pumped by the District), user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the District and a fee per 1,000 gallons based on the amount, if any, of surface water received from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2025 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase over such period.

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP, beginning in the year 2014; and (ii) limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP, beginning in the year 2025. If the Authority fails to comply with the above Subsidence District regulations, the Authority is subject to a disincentive fee penalty, currently \$6.50 per 1,000 gallons ("Disincentive Fees"), imposed by the Subsidence District for any groundwater withdrawn in excess of the total annual water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due to the Authority in the future but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

Wastewater Treatment

Wastewater from the District is treated by a 1.2 million gallon per day ("gpd") interim wastewater treatment plant. Currently, the facility adequately serves 5,333 esfcs of which 3,759 esfcs and 1,574 esfcs have been allocated between the District and MUD 194, respectively. As of January 2020, the District was serving 1,852 active connections (including 1,689 occupied homes).

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 1,696 lots, approximately 41 acres of commercial development, 9 acres of multi-family development and an approximate 15-acre school site in the District. See "THE DISTRICT—Land Use."

100 Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency ("FEMA") has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years.

Jones Creek/Brazos River: FEMA issued an updated Flood Insurance Study ("FIS") and associated Flood FIRMs, effective April 2, 2014. Panels 48157C0120L and 48157C0140L delineate certain areas within the southern portion of the District as being in the Zone AE, areas within a Special Flood Hazard Area ("SFHA"), or the 100-year floodplain of Jones Creek and the Brazos River. These areas are currently developed as single-family residential subdivisions. The District was aware of the impending FIS and FIRM update, and therefore included drainage improvements and floodplain fill components in construction projects within the developable property within this designated SFHA, effectively removing those properties from the delineated 100-year floodplain. A Letter of Map Revision and Letter of Map Revision-F have been approved by FEMA to have those designated areas removed from the SFHA. Therefore, no developable property within the District currently is within the delineated 100-year floodplain of Jones Creek or the Brazos River.

Oyster Creek: The updated maps delineate the 100-year floodplain of Oyster Creek within the District boundaries and adjoining properties. Certain residential properties which abut the Oyster Creek right of way may have small encroachments of the floodplain onto the edges of the properties. However, the minimum slab and adjacent grade elevations on all such lots are above the updated 100-year floodplain elevations of Oyster Creek. A Letter of Map Revision-Based on Fill ("LOMR-F") request has been approved by FEMA to have the undeveloped lots removed from the SFHA. Those lots previously developed are required to submit an Elevation Certificate request to have the habitable structures removed from the SFHA.

According to the Engineer, there are currently no developable areas within the District within the delineated 100-year flood plain as shown on the effective Federal Emergency Management Agency ("FEMA") Flood Insurance Rate Maps. All areas of the District are shown to be in an area defined as outside of the 500- year floodplain. Flood protection improvements constructed within the District have removed all developable areas of the District from the 100-year floodplain of Jones Creek and the Brazos River. These projects have also restricted the 100-year floodplain of Oyster Creek to within the channel of Oyster Creek and the boundaries of the lakes, ponds and ditches of the internal facilities constructed by the District. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events; Hurricane Harvey."

The National Weather Service recently completed a rainfall study known as National Oceanic and Atmospheric Administration ("NOAA") Atlas 14, Volume 11 Participation-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 interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. 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.

Water and Wastewater Operations

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the years ending December 31, 2015 through 2018, and an unaudited summary for the period ended December 31, 2019 as provided by the Bookkeeper. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year Ended December 31				
	2019 (a)	2018	2017	2016	2015
Revenues:					
Property Taxes	\$ 1,202,385	\$ 1,607,204	\$ 1,379,342	\$ 1,013,720	\$ 832,844
Water and Sewer Service	1,176,535	1,176,464	1,167,987	1,118,934	1,089,707
Fire Protection Service	296,497	295,400	283,411	274,889	256,366
Penalty and Interest	35,240	36,832	27,452	36,504	29,456
Tap Connection and Sewer Inspection	38,809	46,628	139,654	153,207	263,852
Sales Tax Revenue	80,012	78,338	73,716	88,635	19,419
Regional Water Authority Fee	977,293	894,653	899,499	795,055	666,704
Investment Revenue	116,722	152,205	48,115	41,402	35,157
Other	21,494	-	-	-	-
Total Revenues	\$ 3,944,988	\$ 4,287,724	\$ 4,019,176	\$ 3,522,346	\$ 3,193,505
Expenditures:					
Professional Fees	\$ 257,727	\$ 213,457	\$ 259,794	\$ 310,842	\$ 287,557
Purchased or Contracted Services	379,851	354,493	346,287	1,694,343	1,558,384
Utilities	7,992	9,539	9,633	14,352	13,534
Joint Facilities Costs (b)	1,717,942	1,475,782	1,523,476	-	-
Fire Protection Service	311,210	299,653	287,559	274,142	254,301
Repairs and Maintenance	628,540	564,131	524,227	510,227	490,706
Capital Outlay	984,082 (c)	183,660	70,681	194,629	-
Other	209,316	241,331	303,629	268,870	396,065
Total Expenditures	\$ 4,496,660	\$ 3,342,046	\$ 3,325,286	\$ 3,267,405	\$ 3,000,547
NET REVENUES	\$ (551,672)	\$ 945,678	\$ 693,890	\$ 254,941	\$ 192,958
Other Financing Sources	\$ -	\$ -	\$ (33,765)	\$ -	\$ -
General Operating Fund Balance (Beginning of Year)	\$ 4,820,189	\$ 3,874,511	\$ 3,214,386	\$ 2,959,445	\$ 2,766,487
General Operating Fund Balance (End of Year)	\$ 4,268,517	\$ 4,820,189	\$ 3,874,511	\$ 3,214,386	\$ 2,959,445

(a) Unaudited. Provided by the Bookkeeper.

(b) Represents the District's share of expenses related to joint facilities with MUD 194.

(c) Includes expenses related to greenway enhancements fencing project currently in progress.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2019 Certified Taxable Assessed Valuation	\$603,401,407	(a)
Gross Direct Debt Outstanding.....	\$40,100,000*	(b)
Estimated Overlapping Debt	41,988,213	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$82,088,213*	
Ratios of Gross Direct Debt to:		
2019 Certified Taxable Assessed Valuation.....	6.65%*	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2019 Certified Taxable Assessed Valuation.....	13.60%*	
Debt Service Funds Available as of February 12, 2020	\$3,232,873	(d)
Operating Funds Available as of February 12, 2020	\$4,772,183	

- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District").
(b) After the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
(c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt" and "— Overlapping Taxes."
(d) Approximately \$15,000* will be applied towards the issuance of the Bonds.

Investments of the District

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

*Preliminary, subject to change.

Outstanding Bonds

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

Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds*	Remaining Outstanding Bonds*
2005	\$ 5,350,000	\$ -	\$ -	\$ -
2006	5,140,000	-	-	-
2007	4,125,000	-	-	-
2007A	4,060,000	-	-	-
2009	4,200,000	170,000	-	170,000
2009A	4,870,000	205,000	-	205,000
2010A (a)	1,185,000	885,000	-	885,000
2010	1,975,000	70,000	-	70,000
2011	2,620,000	115,000	-	115,000
2011A	2,900,000	230,000	-	230,000
2012 (b)	8,475,000	5,175,000	3,660,000	1,515,000
2013	4,200,000	3,180,000	2,840,000	340,000
2014	3,880,000	3,125,000	-	3,125,000
2014A	2,000,000	1,605,000	-	1,605,000
2014B (a)	3,330,000	2,685,000	-	2,685,000
2015 (b)	6,245,000	4,730,000	-	4,730,000
2016	4,765,000	3,990,000	-	3,990,000
2016 (b)	4,550,000	4,480,000	-	4,480,000
2017 (a)	1,900,000	1,680,000	-	1,680,000
2017A (b)	3,870,000	3,795,000	-	3,795,000
2019 (b)	3,775,000	3,775,000	-	3,775,000
Total	\$ 83,415,000	\$ 39,895,000	\$ 6,500,000	\$ 33,395,000 *
The Bonds				6,705,000 *
The Bonds and Remaining Outstanding Bonds				\$ 40,100,000 *

(a) Unlimited Tax Park Bonds.

(b) Unlimited Tax Refunding Bonds.

*Preliminary, subject to change.

Debt Service Requirements

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$6,500,000* principal amount), plus the estimated debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Less: Debt Service on the Refunded Bonds*	Plus: Debt Service on the Bonds*			Total Debt Service Requirements
			Principal	Interest	Total	
2020	\$ 3,742,467.50	\$ 110,988		\$ 75,128.13	\$ 75,128.13	\$ 3,706,608.13
2021	3,694,822.50	221,975	\$ 35,000	149,731.25	184,731.25	3,657,578.75
2022	3,649,025.00	391,975	210,000	146,056.25	356,056.25	3,613,106.25
2023	3,597,087.50	926,875	760,000	131,506.25	891,506.25	3,561,718.75
2024	3,566,075.00	362,875	210,000	116,956.25	326,956.25	3,530,156.25
2025	3,502,100.00	357,775	210,000	110,656.25	320,656.25	3,464,981.25
2026	3,448,625.00	352,675	210,000	105,406.25	315,406.25	3,411,356.25
2027	3,397,812.50	997,575	865,000	94,656.25	959,656.25	3,359,893.75
2028	3,332,062.50	994,725	880,000	77,206.25	957,206.25	3,294,543.75
2029	3,289,162.50	995,575	900,000	59,406.25	959,406.25	3,252,993.75
2030	3,223,175.00	995,363	920,000	41,206.25	961,206.25	3,189,018.75
2031	2,751,143.76	569,100	505,000	26,956.25	531,956.25	2,714,000.01
2032	1,876,037.50	206,663	150,000	20,406.25	170,406.25	1,839,781.25
2033	1,816,943.76	200,888	150,000	17,406.25	167,406.25	1,783,462.51
2034	1,761,893.76	195,113	145,000	14,365.63	159,365.63	1,726,146.89
2035	1,056,887.50	189,338	145,000	11,193.75	156,193.75	1,023,743.75
2036	1,021,506.26	183,563	140,000	7,987.50	147,987.50	985,931.26
2037	990,912.50	177,375	135,000	4,809.38	139,809.38	953,346.88
2038	854,737.50	171,188	135,000	1,603.13	136,603.13	820,153.13
2039	660,700.00	-	-	-	-	660,700.00
2040	637,850.00	-	-	-	-	637,850.00
Total	\$ 51,871,027.54	\$ 8,601,600	\$ 6,705,000	\$1,212,643.75	\$ 7,917,643.75	\$ 51,187,071.29

Maximum Annual Debt Service Requirement (2020) \$3,706,608*
Average Annual Debt Service Requirements (2020-2040)..... \$2,437,480*

*Preliminary, subject to change.

Estimated Overlapping Debt

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Fort Bend County	\$ 593,087,527	1/31/2020	0.85%	\$ 5,041,244
Lamar Consolidated Independent School District(a).....	1,177,030,000	1/31/2020	2.74%	32,250,622
Fort Bend Independent School District(a).....	1,092,173,767	1/31/2020	0.43%	4,696,347
Total Estimated Overlapping Debt.....				\$ 41,988,213
The District's Total Direct Debt (b).....				40,100,000 *
Total Direct and Estimated Overlapping Debt.....				\$ 82,088,213

Direct Debt and Estimated Overlapping Debt as a Percentage of:

2019 Certified Taxable Assessed Valuation..... 13.60% *

- (a) The majority of the District is in the Lamar Consolidated Independent School District and a small portion is in the Fort Bend Independent School District. They do not overlap each other.
- (b) After the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

Overlapping Taxes

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

Set forth below are all of the taxes levied for the 2019 tax year by all entities overlapping the District and of the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per \$100 of Taxable Assessed Valuation
Fort Bend County (including Drainage District).....	\$ 0.4600
Lamar Consolidated Independent School District (a).....	1.3200
Total Overlapping Tax Rate.....	\$ 1.7800
The District (b).....	0.8500
Total Tax Rate.....	\$ 2.6300

- (a) The majority of the District is in Lamar Consolidated Independent School District and a small portion is in Fort Bend Independent School District. They do not overlap each other. The tax rate per \$100 assessed valuation levied for the 2019 tax year in Fort Bend Independent School District is \$1.27.
- (b) See "TAX DATA—Debt Service Tax" and "—Maintenance Tax."

*Preliminary, subject to change.

TAX DATA

Debt Service Tax

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

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted May 15, 2004, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 appraised valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.

Historical Tax Rate Distribution

	2015	2016	2017	2018	2019
Debt Service	\$ 0.75	\$ 0.64	\$ 0.59	\$ 0.59	\$ 0.59
Maintenance and Operations	0.19	0.23	0.26	0.26	0.26
Total	\$ 0.94	\$ 0.87	\$ 0.85	\$ 0.85	\$ 0.85

Tax Exemptions

For the 2019 tax year, the District has granted a \$25,000 tax exemption for residential homesteads of persons 65 years of age or older or disabled and a 5% general exemption on residential homesteads.

Additional Penalties

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

Historical Tax Collections

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

Tax Year	Certified Taxable Assessed Valuation(a)	Tax Rate	Total Tax Levy(b)	Total Collections as of February 12, 2020	
				Amount	Percent
2015	\$ 533,093,327	\$ 0.94	\$ 5,011,030	\$ 5,006,738	99.91%
2016	601,549,642	0.87	5,233,438	5,228,664	99.91%
2017	619,201,507	0.85	5,262,958	5,257,873	99.90%
2018	615,310,040	0.85	5,230,135	5,215,341	99.72%
2019	603,401,407	0.85	5,123,740	4,845,964	94.58%

(a) As certified by the Appraisal District.

(b) Represents the tax levy applied to the Certified Taxable Assessed Valuation.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of property comprising the 2015 through 2019 Certified Taxable Assessed Valuation. See "TAXING PROCEDURES." Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. Information in this summary may differ slightly from the assessed valuations shown herein due to difference in dates of data.

Tax Year	Type of Property			Gross Assessed Valuations	Deferments and Exemptions(a)	Net Taxable Assessed Valuations
	Land	Improvements	Personal Property			
2015	\$ 116,969,882	\$ 423,947,159	\$ 5,279,060	\$ 546,196,101	\$ (13,102,774)	\$ 533,093,327
2016	121,076,940	485,171,213	6,184,175	612,432,328	(10,882,686)	601,549,642
2017	128,753,963	494,492,189	7,268,050	630,514,202	(11,312,695)	619,201,507
2018	130,114,293	514,364,643	9,001,980	653,480,916	(38,170,876)	615,310,040
2019	134,963,993	503,107,153	9,643,870	647,715,016	(44,313,609)	603,401,407

(a) See "TAXING PROCEDURES—Property Subject to Taxation by the District."

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property's taxable assessed value as a percentage of the 2019 Certified Taxable Assessed Valuation of \$603,401,407. This represents ownership as of January 1, 2019.

Taxpayer	2019 Certified Taxable Assessed Valuation	% of 2019 Certified Taxable Assessed Valuation
7970 Vankara Master LLC & 7970 Grand LP	\$ 20,037,750	3.32%
Medproperties Grand Parkway LLC	7,689,560	1.27%
ZFAM Properties Richmond LLC	7,481,280	1.24%
Shops at Grove Park LLC & T3One LLC	4,254,790	0.71%
FBT Equity Investments LLC	3,978,890	0.66%
ZASP Distribution LLC	3,251,510	0.54%
Star Project Ltd.	2,862,190	0.47%
4 A's-LC Real Estate LLC	2,733,749	0.45%
Long Meadows Commercial Developers LLC	2,508,670	0.42%
Blueberry Retail Fund LP & Grand Parkway /SBUX LP	2,304,980	0.38%
Total	\$ 57,103,369	9.46%

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 assessed valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2019 Certified Taxable Assessed Valuation of \$603,401,407. The calculations contained in the following table represent the tax rates required to pay principal of and interest on the Bonds and the Remaining Outstanding Bonds, when due, assuming no further increase or any decrease in Taxable Assessed Values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

Average Annual Debt Service Requirement (2020-2040)	\$2,437,480*
\$0.43* Tax Rate on the 2019 Certified Taxable Assessed Valuation.....	\$2,464,895*
Maximum Annual Debt Service Requirement (2020)	\$3,706,608*
\$0.65* Tax Rate on the 2019 Certified Taxable Assessed Valuation	\$3,726,004*

*Preliminary, subject to change.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, 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; 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 sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such 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, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or

certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. 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 spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1. For tax year 2020, the District has granted a 5% exemption on residential homesteads. See "TAX DATA."

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

Tax Abatement

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, 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. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution 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 market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land and timberland.

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

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

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

During the 86th Regular Legislative Session, Senate Bill 2 (“SB 2”) was passed and signed by the Governor, with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)” for a description of the District’s current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as “Special Taxing Units.” Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as “Developed Districts.” Districts that do not meet either of the classifications previously discussed can be classified herein as “Developing Districts.” The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

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

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

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

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

District’s Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under “Levy and Collection of Taxes.” In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchaser’s deed issued at the foreclosure sale is filed in the county records. See “INVESTMENT CONSIDERATIONS—General” and “—Tax Collections Limitations and Foreclosure Remedies.”

INVESTMENT CONSIDERATIONS

General

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

Extreme Weather Events; Hurricane Harvey

The greater Houston area, including Fort Bend County, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

According to Environmental Development Partners, LLC (the “Operator”) and Costello, Inc. (the “Engineer”), the District’s water and wastewater system sustained no material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, the District did not receive reports of any homes or commercial improvements within the District that experienced structural flooding or other material damage.

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

Specific Flood Type Risks

River (or Fluvial) Flood: occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheetflow overland. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee or dam has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam or levee also could potentially create a flooding condition in rivers or man-made drainage systems (canals or channels) downstream.

Ponding (or Pluvial) Flood: occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can over capacitate a drainage system which becomes trapped and flows out into streets and nearby structures until it reaches a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam or levee.

Tax Collections Limitations and Foreclosure Remedies

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

Registered Owners' Remedies and Bankruptcy Limitations

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of \$126,000,000 principal amount of unlimited tax bonds for constructing and acquiring water, wastewater and storm drainage facilities, \$10,200,000 principal amount of unlimited tax bonds for purchasing and constructing park and recreational facilities and \$24,300,000 principal amount of unlimited tax refunding bonds have been authorized by the District's voters. The District currently has \$75,915,000 principal amount of unlimited tax bonds authorized but unissued for constructing and acquiring water, wastewater and storm drainage facilities, \$3,785,000 principal amount of unlimited tax bonds authorized but unissued for purchasing and constructing park and recreational facilities and \$22,975,000 principal amount of unlimited tax refunding bonds authorized but unissued. After the issuance of the Bonds, \$22,705,000* principal amount of unlimited tax refunding bonds will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The District currently has no reimbursements due to the any developers for water, wastewater and storm drainage facilities, or parks and recreational facilities. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

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.

*Preliminary, subject to change.

The HGB Area is currently designated as a severe ozone nonattainment area under the 1997 Ozone Standards. While the EPA has revoked the 1997 Ozone Standards, 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 has developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB Area redesignation request under the 1997 Ozone Standards on September 5, 2018.

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

The HGB Area is currently designated as a “marginal” nonattainment area under the 2015 Ozone Standard, 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 municipal utility districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the HGB Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

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

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

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 will become effective 60 days after the date of its publication in the Federal Register, and will likely become the subject of further litigation.

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

Marketability of the Bonds

The District has no understanding with the Underwriter 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 of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

Continuing Compliance with Certain Covenants

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for a bond insurance policy (the "Policy") to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following investment considerations:

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

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

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

Continuing Compliance with Certain Covenants

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

Changes in Tax Legislation

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of 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.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody’s Investors Service (“Moody’s”) has assigned an underlying rating of “A2” to the Bonds. An explanation of the rating may be obtained from Moody’s. The rating fees of Moody’s will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Underwriter.

The use of insurance and the payment of an insurance premium is at the option and expense of the District. The rating fees of Moody’s will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Underwriter. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance.”

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

VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Bonds; (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes, and (c) verification of compliance with City of Houston Ordinance No. 97-416.

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

LEGAL MATTERS

Legal Proceedings

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

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

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. 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.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

No Material Adverse Change

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

No-Litigation Certificate

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

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes, and the Bonds are not subject to the alternative minimum tax on individuals.

The Internal Revenue Code of 1986, as amended (the “Code”) imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The District has covenanted in the Resolution that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District’s Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District’s Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. Bond Counsel will further rely on the report of Public Finance Partners LLC regarding the mathematical accuracy of certain computations. If the District should fail to comply with the covenants in the Resolution or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an “exempt recipient” and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") may be less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on a Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the OFFICIAL STATEMENT.)

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this OFFICIAL STATEMENT, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership and redemption, sale or other disposition of such Bonds.

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 will designate the Bonds as "qualified tax-exempt obligations" and has represented 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 2020 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 2020.

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants. Each consultant has agreed to the use of information provided by such firms.

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

Appraisal District: The information contained in this OFFICIAL STATEMENT relating to the historical certified taxable appraised valuations has been provided by the Fort Bend Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Fort Bend County, including the District.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the District's assessed valuations and certain other historical data concerning tax rates and tax collections has been provided by Tax Tech Inc. and is included herein in reliance upon the authority of such individual as an expert in assessing property values and collecting taxes.

Auditor: The District's audited financial statements for the year ended December 31, 2018, were prepared by McCall Gibson Swedlund Barfoot, PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's December 31, 2018, financial statements.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "THE SYSTEM" has been provided by McLennan & Associates, L.P., and is included herein in reliance upon the authority of such firm as experts in tracking and managing the various funds of utility districts.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "THE SYSTEM," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)", except for "—Estimated Overlapping Debt," "TAX DATA," and in APPENDIX A (Financial Statements of the District). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2019. Any financial statements provided by the District shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit becomes available.

The District's current fiscal year end is December 31. Accordingly, it must provide updated information by June 30 in each year, unless it changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Specified Event Notices

The District will provide timely notices of certain specified 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 status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of 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 an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “material” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operational data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access (“EMMA”) internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects 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 Initial Purchasers 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 complied in all material respects with its previous continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

This OFFICIAL STATEMENT was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 146, as of the date shown on the cover page.

/s/ _____
President, Board of Directors

ATTEST:

/s/ _____
Secretary, Board of Directors

APPENDIX A

The information contained in this appendix includes the Annual Audit Report of Fort Bend County Municipal Utility District No. 146 and certain supplemental information for the fiscal year ended December 31, 2018.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2018

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fort Bend County Municipal
Utility District No. 146
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. 146 (the "District"), as of and for the year ended December 31, 2018, 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 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 financial statements are free from 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies 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 and appropriate to provide a basis for our audit opinions.

Opinions

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 the District as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance 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 the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and Special Revenue Fund 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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

May 8, 2019

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Management's discussion and analysis of Fort Bend County Municipal Utility District No. 146's (the "District") financial performance provides an overview of the District's financial activities for the year ended December 31, 2018. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide portion of these statements provides both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position presents information that includes all of the District's assets, liabilities, and deferred inflows and outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has four governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Special Revenue Fund accounts for the operating and capital activities related to the joint facilities shared with Fort Bend County Municipal Utility District No. 194. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

FUND FINANCIAL STATEMENTS (Continued)

The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). Budgetary comparison schedules are included as RSI for the General Fund and Special Revenue Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$12,522,100 as of December 31, 2018.

A portion of the District's net position reflects its net investment in capital assets (water, wastewater, drainage, and recreational facilities less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 15,669,696	\$ 18,451,624	\$ (2,781,928)
Capital Assets (Net of Accumulated Depreciation)	45,359,134	41,179,944	4,179,190
Total Assets	\$ 61,028,830	\$ 59,631,568	\$ 1,397,262
Deferred Outflows of Resources	\$ 1,433,830	\$ 1,535,278	\$ (101,448)
Bonds Payable	\$ 42,863,915	\$ 45,261,282	\$ 2,397,367
Other Liabilities	1,839,748	1,527,810	(311,938)
Total Liabilities	\$ 44,703,663	\$ 46,789,092	\$ 2,085,429
Deferred Inflows of Resources	\$ 5,236,897	\$ 5,274,848	\$ 37,951
Net Position:			
Net Investment in Capital Assets	\$ 6,106,972	\$ 3,455,515	\$ 2,651,457
Restricted	1,439,038	1,605,784	(166,746)
Unrestricted	4,976,090	4,041,607	934,483
Total Net Position	\$ 12,522,100	\$ 9,102,906	\$ 3,419,194

The following table provides a summary of the District's operations for the years ended December 31, 2018, and December 31, 2017, in which the District's net position increased by \$3,419,194.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 5,250,567	\$ 5,222,813	\$ 27,754
Charges for Services	4,475,685	3,144,011	1,331,674
Other Revenues	348,109	546,213	(198,104)
Total Revenues	\$ 10,074,361	\$ 8,913,037	\$ 1,161,324
Expenses for Services	6,655,167	7,003,287	348,120
Change in Net Position	\$ 3,419,194	\$ 1,909,750	\$ 1,509,444
Net Position, Beginning of Year	9,102,906	7,193,156	1,909,750
Net Position, End of Year	\$ 12,522,100	\$ 9,102,906	\$ 3,419,194

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2018, were \$8,884,071, a decrease of \$3,067,149 from the prior year.

The General Fund fund balance increased by \$945,678, primarily due to service, property tax and investment revenues exceeding operating expenditures.

The Special Revenue Fund - Operating is revenue neutral. Costs incurred are billed to the respective participants on a monthly basis.

The Special Revenue Fund - Construction fund balance increased by \$260,216, primarily due to the contribution received from Fort Bend County Municipal Utility District No. 194 for water plant no. 3 improvements, a portion of which remained unspent at year end.

The Debt Service Fund fund balance decreased by \$189,175, primarily due to the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance decreased by \$4,083,868, primarily due to the use of bond proceeds and surplus funds accumulated in prior years to fund current year capital outlay.

BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the General Fund. Actual revenues were \$389,167 more than budgeted revenues primarily due to higher than anticipated property tax revenues and investment revenues. Actual expenditures were \$79,735 less than budgeted expenditures primarily due to lower than anticipated purchased water and wastewater services, offset by higher than anticipated repairs and maintenance costs. See the budget to actual comparison for further information.

The Board of Directors adopted an unappropriated budget for the Special Revenue Fund. Actual expenditures were \$286,094 more than budgeted expenditures primarily due to higher than anticipated water authority costs. See the budget to actual comparison for further information.

CAPITAL ASSETS

Capital assets as of December 31, 2018, total \$45,359,134 (net of accumulated depreciation) and include land and recreational facilities, as well as the water, wastewater and drainage systems. Significant capital asset activity during the current fiscal year included new construction and/or rehabilitation of the District's parks and water, sewer and drainage facilities.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 3,338,753	\$ 3,338,753	\$
Construction in Progress	7,381,932	2,307,837	5,074,095
Capital Assets, Net of Accumulated Depreciation:			
Recreational Facilities	2,221,659	2,364,396	(142,737)
Water System	9,451,531	9,526,701	(75,170)
Wastewater System	7,950,951	8,195,552	(244,601)
Drainage System	15,014,308	15,446,705	(432,397)
Total Net Capital Assets	<u>\$ 45,359,134</u>	<u>\$ 41,179,944</u>	<u>\$ 4,179,190</u>

LONG-TERM DEBT ACTIVITY

As of December 31, 2018, the District had total bond debt payable of \$42,225,000. The changes in the debt position of the District during the fiscal year ended December 31, 2018, are summarized as follows:

Bond Debt Payable, January 1, 2018	\$ 44,585,000
Less: Bond Principal Paid	<u>2,360,000</u>
Bond Debt Payable, December 31, 2018	<u>\$ 42,225,000</u>

Standard & Poor's has assigned an underlying credit rating of BBB+ to the Series 2014 and prior bonds while Moody's Investor Services has assigned an underlying credit rating of A2 to the Series 2014A, 2014B, 2015 Refunding, 2016, 2016 Refunding, 2017, and 2017A Refunding bonds. The Series 2009, 2010, 2010A, 2011, 2011A, 2012 Refunding, 2013, 2015 Refunding bonds carry AA ratings by virtue of bond insurance issued by Assured Guaranty Municipal or Assured Guaranty Corporation. The Series 2014, 2014A, 2014B, 2016, 2017 and 2017A Refunding bonds carry AA ratings by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2016 Refunding bonds carry an AA rating by virtue of bond insurance issued by Municipal Assurance Corp. The ratings above include rating changes if any, through December 31, 2018.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Fort Bend County Municipal Utility District No. 146, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2018

	<u>General Fund</u>	<u>Special Revenue Fund - Operating</u>	<u>Special Revenue Fund - Construction</u>
ASSETS			
Cash	\$ 354,250	\$ 213,501	\$ 1,579,068
Investments	4,624,303		
Receivables:			
Property Taxes	1,373,589		
Penalty and Interest on Delinquent Taxes			
Service Accounts	259,995		
Other	59,367		
Due from the City of Houston	18,189		
Due from Other Funds	54,647	62,246	
Prepaid Costs			
Due from Participants		152,087	
Joint Facilities Operating Advance	181,661		
Land			
Construction in Progress			
Capital Assets (Net of Accumulated Depreciation)			
TOTAL ASSETS	<u>\$ 6,926,001</u>	<u>\$ 427,834</u>	<u>\$ 1,579,068</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refunding Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 6,926,001</u>	<u>\$ 427,834</u>	<u>\$ 1,579,068</u>

The accompanying notes to the financial
statements are an integral part of this report.

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 62,679	\$ 330,261	\$ 2,539,759	\$	\$ 2,539,759
2,194,671	1,168,434	7,987,408		7,987,408
3,120,746		4,494,335		4,494,335
			7,528	7,528
		259,995		259,995
		59,367		59,367
		18,189		18,189
163,116		280,009	(280,009)	
			151,028	151,028
		152,087		152,087
		181,661	(181,661)	
			3,338,753	3,338,753
			7,381,932	7,381,932
			34,638,449	34,638,449
<u>\$ 5,541,212</u>	<u>\$ 1,498,695</u>	<u>\$ 15,972,810</u>	<u>\$ 45,056,020</u>	<u>\$ 61,028,830</u>
 \$ -0-	 \$ -0-	 \$ -0-	 \$ 1,433,830	 \$ 1,433,830
 <u>\$ 5,541,212</u>	 <u>\$ 1,498,695</u>	 <u>\$ 15,972,810</u>	 <u>\$ 46,489,850</u>	 <u>\$ 62,462,660</u>

The accompanying notes to the financial
statements are an integral part of this report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2018

	<u>General Fund</u>	<u>Special Revenue Fund - Operating</u>	<u>Special Revenue Fund - Construction</u>
LIABILITIES			
Accounts Payable	\$ 130,271	\$ 148,356	\$ 401,788
Accrued Interest Payable			
Due to Other Funds	221,562		
Security Deposits	147,231		
Participant Operating Advances		279,478	
Long-Term Liabilities:			
Bonds Payable, Due Within One Year			
Bonds Payable, Due After One Year			
TOTAL LIABILITIES	<u>\$ 499,064</u>	<u>\$ 427,834</u>	<u>\$ 401,788</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	<u>\$ 1,606,748</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
FUND BALANCES			
Nonspendable:			
Joint Facilities Operating Advance	\$ 181,661	\$	\$
Restricted for Authorized Construction			1,177,280
Restricted for Debt Service			
Unassigned	4,638,528		
TOTAL FUND BALANCES	<u>\$ 4,820,189</u>	<u>\$ -0-</u>	<u>\$ 1,177,280</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 6,926,001</u></u>	<u><u>\$ 427,834</u></u>	<u><u>\$ 1,579,068</u></u>
NET POSITION			
Net Investment in Capital Assets			
Restricted for Debt Service			
Unrestricted			
TOTAL NET POSITION			

The accompanying notes to the financial
statements are an integral part of this report.

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 5,417	\$ 439,605	\$ 1,125,437	\$	\$ 1,125,437
			469,263	469,263
	58,447	280,009	(280,009)	
		147,231		147,231
		279,478	(181,661)	97,817
			2,395,000	2,395,000
			40,468,915	40,468,915
<u>\$ 5,417</u>	<u>\$ 498,052</u>	<u>\$ 1,832,155</u>	<u>\$ 42,871,508</u>	<u>\$ 44,703,663</u>
<u>\$ 3,649,836</u>	<u>\$ -0-</u>	<u>\$ 5,256,584</u>	<u>\$ (19,687)</u>	<u>\$ 5,236,897</u>
\$	\$	\$	\$	\$
	1,000,643	181,661	(181,661)	
		2,177,923	(2,177,923)	
1,885,959		1,885,959	(1,885,959)	
		4,638,528	(4,638,528)	
<u>\$ 1,885,959</u>	<u>\$ 1,000,643</u>	<u>\$ 8,884,071</u>	<u>\$ (8,884,071)</u>	<u>\$ - 0 -</u>
<u>\$ 5,541,212</u>	<u>\$ 1,498,695</u>	<u>\$ 15,972,810</u>		
			\$ 6,106,972	\$ 6,106,972
			1,439,038	1,439,038
			4,976,090	4,976,090
			<u>\$ 12,522,100</u>	<u>\$ 12,522,100</u>

The accompanying notes to the financial statements are an integral part of this report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

Total Fund Balances - Governmental Funds	\$	8,884,071
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Prepaid bond insurance costs are amortized over the term of the bonds in the government-wide financial statements.		151,028
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Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.		1,433,830
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		45,359,134
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Deferred inflows of resources related to property tax revenues and deferred penalty and interest revenues on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District.		27,215
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (469,263)	
Bonds Payable	(42,863,915)	
		(43,333,178)
Total Net Position - Governmental Activities		\$ 12,522,100

The accompanying notes to the financial
statements are an integral part of this report.

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FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Special Revenue Fund - Operating	Special Revenue Fund - Construction
REVENUES			
Property Taxes	\$ 1,607,204	\$	\$
Water Service	699,853		
Wastewater Service	476,611		
Fire Protection Service	295,400		
Water Authority Fees	894,653		
Penalty and Interest	36,832		
Tap Connection and Inspection Fees	46,628		
Joint Facilities Revenues		2,154,309	1,325,000
Sales Tax Revenues	78,338		
Miscellaneous Revenues	152,205	420	2,105
TOTAL REVENUES	<u>\$ 4,287,724</u>	<u>\$ 2,154,729</u>	<u>\$ 1,327,105</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 213,457	\$ 13,388	\$ 1,666
Contracted Services	354,493	276,902	
Joint Facilities Costs	1,475,782		
Utilities	9,539	151,928	
Water Authority Costs		1,479,591	
Fire Protection Service	299,653		
Repairs and Maintenance	564,131	143,392	
Depreciation			
Other	241,331	89,528	397
Capital Outlay	183,660		1,064,826
Debt Service:			
Bond Principal			
Bond Interest			
TOTAL EXPENDITURES/EXPENSES	<u>\$ 3,342,046</u>	<u>\$ 2,154,729</u>	<u>\$ 1,066,889</u>
NET CHANGE IN FUND BALANCES	\$ 945,678	\$	\$ 260,216
CHANGE IN NET POSITION			
FUND BALANCES/NET POSITION - JANUARY 1, 2018	<u>3,874,511</u>	<u></u>	<u>917,064</u>
FUND BALANCES/NET POSITION - DECEMBER 31, 2018	<u>\$ 4,820,189</u>	<u>\$ -0-</u>	<u>\$ 1,177,280</u>

The accompanying notes to the financial
statements are an integral part of this report.

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ 3,643,946	\$	\$ 5,251,150	\$ (583)	\$ 5,250,567
		699,853		699,853
		476,611		476,611
		295,400		295,400
		894,653		894,653
21,550		58,382	631	59,013
		46,628		46,628
		3,479,309	(1,475,782)	2,003,527
		78,338		78,338
63,199	51,842	269,771		269,771
<u>\$ 3,728,695</u>	<u>\$ 51,842</u>	<u>\$ 11,550,095</u>	<u>\$ (1,475,734)</u>	<u>\$ 10,074,361</u>
\$ 5,881	\$ 33,189	\$ 267,581	\$	\$ 267,581
73,191		704,586		704,586
		1,475,782	(1,475,782)	
		161,467		161,467
		1,479,591		1,479,591
		299,653		299,653
		707,523		707,523
			1,168,943	1,168,943
4,005	2,874	338,135		338,135
	4,099,647	5,348,133	(5,348,133)	
2,360,000		2,360,000	(2,360,000)	
1,474,793		1,474,793	52,895	1,527,688
<u>\$ 3,917,870</u>	<u>\$ 4,135,710</u>	<u>\$ 14,617,244</u>	<u>\$ (7,962,077)</u>	<u>\$ 6,655,167</u>
\$ (189,175)	\$ (4,083,868)	\$ (3,067,149)	\$ 3,067,149	\$
			3,419,194	3,419,194
2,075,134	5,084,511	11,951,220	(2,848,314)	9,102,906
<u>\$ 1,885,959</u>	<u>\$ 1,000,643</u>	<u>\$ 8,884,071</u>	<u>\$ 3,638,029</u>	<u>\$ 12,522,100</u>

The accompanying notes to the financial
statements are an integral part of this report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Governmental Funds	\$ (3,067,149)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(583)
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Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	631
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Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(1,168,943)
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Governmental funds report capital outlay as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	5,348,133
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Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	2,360,000
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Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(52,895)
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Change in Net Position - Governmental Activities	\$ <u>3,419,194</u>
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The accompanying notes to the financial
statements are an integral part of this report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1. CREATION OF DISTRICT

Fort Bend County Municipal Utility District No. 146 (the “District”) was created effective February 18, 2004 by an Order of the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on March 10, 2004, and sold its first series of bonds on September 8, 2005.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

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

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”). GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense in the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds – The District has four major governmental funds and considers each to be a major fund.

General Fund – To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Special Revenue Fund – To account for the operating and capital activities related to the joint facilities shared with Fort Bend County Municipal Utility District No. 194.

Debt Service Fund – To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include the 2017 tax levy collections during the period October 1, 2017, to December 31, 2018, and taxes collected from January 1, 2018, to December 31, 2018, for the 2016 and prior tax levies. The 2018 tax levy has been fully deferred to meet the District’s planned expenditures in 2019.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. The General Fund recorded a payable to the Debt Service Fund in the amount of \$159,316 for maintenance tax collections and the General Fund recorded a payable to the Special Revenue Fund - Operating in the amount of \$62,246 for water and wastewater service. The Capital Projects Fund recorded a payable of \$3,800 to the Debt Service Fund and \$54,647 to the General Fund for bond issuance costs.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$15,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Recreational Facilities	10-45
Water System	10-45
Wastewater System	10-45
Drainage System	10-45

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts unappropriated budgets for both the General Fund and Special Revenue Fund. The General Fund budget and the Special Revenue Fund budget were not amended during the current fiscal year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered to be “employees” for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Nospendable: amounts that cannot be spent either because they are in nospendable form or because they are legally or contractually required to be maintained intact

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. 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 expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3. LONG-TERM DEBT

	<u>Series 2009</u>	<u>Series 2009A</u>
Amounts Outstanding – December 31, 2018	\$ 340,000	\$ 410,000
Interest Rates	4.10%	4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2020	September 1, 2019/2020
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2018*	September 1, 2018*
	<u>Series 2010</u>	<u>Series 2010A</u>
Amounts Outstanding – December 31, 2018	\$ 205,000	\$ 925,000
Interest Rates	5.25%	5.25%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2021	September 1, 2019/2034
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2018*	September 1, 2018*

* Or any date thereafter, at a price of par plus accrued interest, on the principal amounts called to the date fixed for redemption.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

	<u>Series 2011</u>	<u>Series 2011A</u>	<u>Series 2012 Refunding</u>
Amounts Outstanding – December 31, 2018	\$ 230,000	\$ 2,185,000	\$ 7,440,000
Interest Rates	4.00%	4.00% - 5.50%	2.00% - 3.50%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2020	September 1, 2019/2037	September 1, 2019/2031
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2019*	September 1, 2019*	September 1, 2019*
	<u>Series 2013</u>	<u>Series 2014</u>	<u>Series 2014A</u>
Amounts Outstanding – December 31, 2018	\$ 3,350,000	\$ 3,275,000	\$ 1,685,000
Interest Rates	2.00% - 3.75%	2.00% - 4.00%	2.00% - 3.75%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2038	September 1, 2019/2040	September 1, 2019/2040
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2019*	September 1, 2022*	September 1, 2022*

- * Or any date thereafter, at a price of par plus accrued interest, on the principal amounts called to the date fixed for redemption. The Series 2011A bonds maturing September 1, 2021, 2023, 2026, 2028, 2031, 2034 and 2037 are term bonds and are scheduled for mandatory redemption beginning September 1, 2020, 2022, 2024, 2027, 2029, 2032 and 2035, respectively. The Series 2013 bonds maturing September 1, 2021, 2023, 2025, 2027, 2029, 2031, 2035 and 2038 are term bonds and are scheduled for mandatory redemption beginning September 1, 2020, 2022, 2024, 2026, 2028, 2030, 2032 and 2036, respectively. The Series 2014 bonds maturing September 1, 2035 and 2040 are term bonds and are scheduled for mandatory redemption beginning September 1, 2033 and 2036, respectively. The Series 2014A bonds maturing September 1, 2026, 2028, 2032, 2036 and 2040 are term bonds and are scheduled for mandatory redemption beginning September 1, 2024, 2027, 2029, 2033 and 2037, respectively.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2014B	Series 2015 Refunding	Series 2016
Amounts Outstanding – December 31, 2018	\$ 2,815,000	\$ 5,080,000	\$ 4,185,000
Interest Rates	2.00% - 3.75%	2.00% - 4.00%	1.50% - 3.50%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2040	September 1, 2019/2031	September 1, 2019/2040
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2022*	September 1, 2022*	September 1, 2023*
	Series 2016 Refunding	Series 2017	Series 2017A Refunding
Amounts Outstanding – December 31, 2018	\$ 4,505,000	\$ 1,760,000	\$ 3,835,000
Interest Rates	2.00% - 4.00%	2.00% - 3.625%	2.00% - 3.50%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2034	September 1, 2019/2040	September 1, 2019/2034
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2023*	September 1, 2024*	September 1, 2024*

* Or any date thereafter, at a price of par plus accrued interest, on the principal amounts called to the date fixed for redemption. The Series 2014B bonds maturing September 1, 2028, 2030, 2032, 2034, 2036 and 2040 are term bonds and are scheduled for mandatory redemption beginning September 1, 2027, 2029, 2031, 2033, 2035 and 2037, respectively. The Series 2016 bonds maturing September 1, 2028, 2030, 2032 and 2040 are term bonds and are scheduled for mandatory redemption beginning September 1, 2027, 2029, 2031, and 2038, respectively. The Series 2017 bonds maturing September 1, 2028, 2031, 2034, 2037, and 2040 are term bonds and are scheduled for mandatory redemption beginning September 1, 2025, 2029, 2032, 2035, and 2038, respectively.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2018.

	January 1, 2018	Additions	Retirements	December 31, 2018
Bonds Payable	\$ 44,585,000	\$	\$ 2,360,000	\$ 42,225,000
Unamortized Discounts	(171,068)		(17,665)	(153,403)
Unamortized Premiums	847,350		55,032	792,318
Bonds Payable, Net	<u>\$ 45,261,282</u>	<u>\$ -0-</u>	<u>\$ 2,397,367</u>	<u>\$ 42,863,915</u>
			Amount Due Within One Year	\$ 2,395,000
			Amount Due After One Year	40,468,915
			Bonds Payable, Net	<u>\$ 42,863,915</u>

As of December 31, 2018, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 2,395,000	\$ 1,407,787	\$ 3,802,787
2020	2,415,000	1,338,806	3,753,806
2021	2,440,000	1,266,760	3,706,760
2022	2,465,000	1,199,989	3,664,989
2023	2,485,000	1,127,348	3,612,348
2024-2028	12,930,000	4,389,389	17,319,389
2029-2033	10,850,000	2,181,712	13,031,712
2034-2038	5,015,000	726,036	5,741,036
2039-2040	1,230,000	68,551	1,298,551
	<u>\$ 42,225,000</u>	<u>\$ 13,706,378</u>	<u>\$ 55,931,378</u>

As of December 31, 2018, the District had authorized but unissued bonds in the amount of \$75,915,000 for water, sewer and drainage purposes, \$22,975,000 for refunding purposes and \$3,785,000 for parks and recreational facilities.

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

During the year ended December 31, 2018, the District levied an ad valorem debt service tax rate of \$0.59 per \$100 of assessed valuation, which resulted in a tax levy of \$3,635,023 on the adjusted taxable valuation of \$616,105,512 for the 2018 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

The District's tax calendar is as follows:

Levy Date	- October 1, or as soon thereafter practicable.
Lien Date	- January 1.
Due Date	- Upon receipt, but no later than January 31.
Delinquent Date	- February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

The bond resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$2,539,759 and the bank balance was \$2,849,232. The District was not exposed to custodial credit risk at year-end.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2018, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 354,250
SPECIAL REVENUE FUND	1,792,569
DEBT SERVICE FUND	62,679
CAPITAL PROJECTS FUND	<u>330,261</u>
TOTAL DEPOSITS	<u><u>\$ 2,539,759</u></u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of December 31, 2018, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 4,624,303	\$ 4,624,303
<u>DEBT SERVICE FUND</u>		
TexPool	2,194,671	2,194,671
<u>CAPITAL PROJECTS FUND</u>		
TexPool	1,168,434	1,168,434
TOTAL INVESTMENTS	\$ 7,987,408	\$ 7,987,408

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2018, the District's investment in TexPool was rated AAAM by Standard and Poor's. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool to have maturities of less than one year since the share positions can usually be redeemed each day at the discretion of the District unless there have been significant changes in value.

Restrictions

All cash and investments of the Special Revenue Fund are restricted for the operating and capital activities related to the joint facilities. All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 is as follows:

	January 1, 2018	Increases	Decreases	December 31, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 3,338,753	\$	\$	\$ 3,338,753
Construction in Progress	2,307,837	5,348,133	274,038	7,381,932
Total Capital Assets Not Being Depreciated	<u>\$ 5,646,590</u>	<u>\$ 5,348,133</u>	<u>\$ 274,038</u>	<u>\$ 10,720,685</u>
Capital Assets Subject to Depreciation				
Recreational Facilities	\$ 3,082,654	\$	\$	\$ 3,082,654
Water System	11,831,729	274,038		12,105,767
Wastewater System	12,403,924			12,403,924
Drainage System	19,457,851			19,457,851
Total Capital Assets Subject to Depreciation	<u>\$ 46,776,158</u>	<u>\$ 274,038</u>	<u>\$ - 0 -</u>	<u>\$ 47,050,196</u>
Accumulated Depreciation				
Recreational Facilities	\$ 718,258	\$ 142,737	\$	\$ 860,995
Water System	2,305,028	349,208		2,654,236
Wastewater System	4,208,372	244,601		4,452,973
Drainage System	4,011,146	432,397		4,443,543
Total Accumulated Depreciation	<u>\$ 11,242,804</u>	<u>\$ 1,168,943</u>	<u>\$ - 0 -</u>	<u>\$ 12,411,747</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 35,533,354</u>	<u>\$ (894,905)</u>	<u>\$ - 0 -</u>	<u>\$ 34,638,449</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 41,179,944</u>	<u>\$ 4,453,228</u>	<u>\$ 274,038</u>	<u>\$ 45,359,134</u>

NOTE 7. MAINTENANCE TAX

On May 15, 2004, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay costs of operating the District's facilities. During the current year, the District levied an ad valorem maintenance tax rate of \$0.26 per \$100 of assessed valuation, which resulted in a tax levy of \$1,601,874 on the adjusted taxable valuation of \$616,105,512 for the 2018 tax year. Recognition of revenue for the 2018 maintenance tax levy has been deferred until the 2019 fiscal year.

NOTE 8. 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 natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage and no settlements have exceeded coverage in the past three years.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 9. FIRE PROTECTION AGREEMENT

The District is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. The District has prepared a detailed fire plan which has been approved by the Commission and the District's voters on November 6, 2007. The fire plan does not call for issuance of bonds but for a mandatory fee and monetary contribution to the City of Richmond, Texas ("Richmond"). Fire protection is currently provided to property in the District by Richmond, which operates a fire station on Mason Road, approximately three miles from the District. Pursuant to a Fire Protection Agreement, as amended, the District made capital contributions totaling \$189,463 towards a fire station. The Agreement additionally calls for the District to pay a monthly charge that will be adjusted by 100% of the increase, if any, between the most recently published Consumer Price Index ("CPI") and the CPI for the proceeding calendar year, in a monthly amount not to exceed \$15.00 per unit. When and if the District is annexed by the City of Houston, and dissolved, this Fire Protection agreement with Richmond terminates.

As of the end of the current fiscal year, the fee was \$11.87. Under the District's rate order in effect as of December 31, 2018, each equivalent residential connection was charged \$11.87 per month and each commercial connection was billed \$11.87 per 2,000 square feet or part thereof of building floor area. During the current fiscal year, the District recorded fire protection service revenues of \$295,400 and fire protection service costs of \$299,653.

NOTE 10. NORTH FORT BEND WATER AUTHORITY

The District is located within the boundaries of the North Fort Bend Water Authority (the "Authority"). The Authority was created by the Texas Legislature in 2005 for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions.

The Authority charges a fee, based on the amount of water pumped from a well, to the owners of wells located within the boundaries of the Authority, unless exempted. Effective January 1, 2018, the fee charged was \$3.35 per 1,000 gallons of water pumped from each well (\$3.65 per 1,000 gallons effective January 1, 2019). During the current fiscal year, the District paid the Authority \$163,771 for pumpage fees. Additionally, the District purchases surface water from the Authority. Effective January 1, 2018, the rate charged is \$3.70 per 1,000 gallons of surface water delivered (\$4.00 per 1,000 gallons effective January 1, 2019). The District recorded expenditures of \$1,315,820 for surface water purchased during the current fiscal year. Fort Bend County Municipal Utility District No. 194 ("District No. 194") pays its share of pumpage and surface water fees through joint facilities costs paid to the District.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 10. NORTH FORT BEND WATER AUTHORITY (Continued)

On November 17, 2016, the District, District No. 194 and the Authority entered into an agreement to construct wastewater effluent treatment facilities for the purpose of providing a non-potable water source for the irrigation and make-up water to property located within the districts. The Authority will design and construct the facilities, which will be owned by the Authority, but operated and maintained by the District. The districts will receive a 10% plus \$0.30 discount off the Authority's groundwater pumpage fees for each 1,000 gallons of reclaimed water delivered to the irrigation system.

NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT

The District has entered into a Strategic Partnership Agreement (the "SPA") with the City of Houston (the "City"), effective December 20, 2007 and amended May 2012 to add additional commercial property, pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" of that portion of the District developed for retail and commercial purposes in order to apply certain City health, safety, planning, and zoning ordinances within the District. Residential development within the District is not subject to the limited purpose annexation. Pursuant to the terms of the SPA, certain commercial tracts within the District have been annexed into the City for limited purposes and the City has imposed a one percent sales and use tax (but no property tax) within the areas of limited-purpose annexation and agreed to remit one-half of such sales and use tax to the District to be used for any lawful District purpose. The SPA also provides that the City will not annex the District for "full purposes" for at least 30 years. Also, as a condition to full purpose annexation under the SPA, any reimbursement obligations due to a developer by the District for water, wastewater, and drainage facilities must be assumed by the City to maximum extent permitted by Commission rules. The District received \$78,338 in relation to this agreement during the current fiscal year.

NOTE 12. AGREEMENT FOR COST SHARING FOR REGIONAL SECURITY SERVICES

On October 1, 2015, the District entered into a Cost Sharing Agreement for Regional Security Services with District No. 194. This agreement was amended on October 1, 2016, October 1, 2017, and September 12, 2018. The agreement sets forth the terms detailing each district's obligation for joint security costs. The most recent amendment is effective until September 12, 2019 and estimates the total annual security costs to be \$210,080 with each district being responsible for one-half of this cost.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 13. AGREEMENT FOR THE FINANCING, OPERATION AND CONSTRUCTION OF REGIONAL FACILITIES

On November 12, 2008, the District entered into an Agreement for Financing, Operation, and Maintenance of Regional Facilities (Master District Facilities) with Fort Bend County Municipal Utility District No. 194 ("District No. 194"). This agreement was amended and restated on January 1, 2011 and subsequently supplemented on May 13, 2015 and again on January 10, 2018 to provide for District No. 194's funding of water plant no. 3, phase 2 project. The District will be known as the Master District and will acquire, construct, extend, own, operate, and maintain the Master District Facilities to meet the needs of the participants. The Master District finances the capital costs of the water, wastewater and drainage facilities from connection fees paid by each participant. Detention facilities costs will be shared based on the number of acres within each participant's boundaries to be served by the Master District's drainage system.

Authority fees are allocated based on consumption. All other operation and maintenance costs are allocated to the participants based on active connections. Detention facilities costs are allocated to the participants based on acreage. The term of this agreement is 40 years. The District advanced \$181,661 as an operating reserve and incurred operating charges of \$1,475,782 during the current fiscal year.

NOTE 14. EMERGENCY WATER SUPPLY CONTRACTS

On April 12, 2017, the District executed a contract for the construction and operations of a water supply connection with Fort Bend County Municipal Utility District No. 118 ("District No. 118"). District No. 118 owns the connection for the benefit of both districts and each district is responsible for one-half of the costs of maintaining the facilities on its side of the connection. The districts agree to furnish water to each other on an emergency basis. The receiving district pays for water at the rate of \$1.00 per 1,000 gallons received, plus any Authority fees imposed on the supplying district. The term of the agreement is 40 years.

NOTE 15. USE OF SURPLUS FUNDS

On October 29, 2018, the District received approval from the Commission for the use of \$414,535 in surplus funds to fund a portion of the design and construction costs associated with the Long Meadow Farms, Phase 1 Greenway Enhancement Fence improvements.

NOTE 16. SUBSEQUENT EVENT – REFUNDING BOND SALE

On or about June 4, 2019, subsequent to the report date, the District plans to issue its \$3,775,000 Series 2019 Unlimited Tax Refunding Bonds. Proceeds will be used to currently refund and defease a portion of the Series 2010, Series 2011A and Series 2012 Refunding bonds totaling \$3,710,000.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,381,364	\$ 1,607,204	\$ 225,840
Water Service	725,003	699,853	(25,150)
Wastewater Service	463,000	476,611	13,611
Fire Protection Service	286,000	295,400	9,400
Water Authority Fees	871,000	894,653	23,653
Penalty and Interest	38,400	36,832	(1,568)
Tap Connection and Inspection Fees	12,000	46,628	34,628
Sales Tax Revenues	69,600	78,338	8,738
Miscellaneous Revenues	52,190	152,205	100,015
TOTAL REVENUES	<u>\$ 3,898,557</u>	<u>\$ 4,287,724</u>	<u>\$ 389,167</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 233,000	\$ 213,457	\$ 19,543
Contracted Services	364,551	354,493	10,058
Joint Facilities Costs	1,655,649	1,475,782	179,867
Utilities	16,380	9,539	6,841
Fire Protection Service	286,000	299,653	(13,653)
Repairs and Maintenance	370,176	564,131	(193,955)
Other	351,025	241,331	109,694
Capital Outlay	145,000	183,660	(38,660)
TOTAL EXPENDITURES	<u>\$ 3,421,781</u>	<u>\$ 3,342,046</u>	<u>\$ 79,735</u>
NET CHANGE IN FUND BALANCE	\$ 476,776	\$ 945,678	\$ 468,902
FUND BALANCE - JANUARY 1, 2018	<u>3,874,511</u>	<u>3,874,511</u>	<u></u>
FUND BALANCE - DECEMBER 31, 2018	<u>\$ 4,351,287</u>	<u>\$ 4,820,189</u>	<u>\$ 468,902</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Joint Facilities Revenues	\$ 1,868,635	\$ 2,154,309	\$ 285,674
Miscellaneous Revenues	<u> </u>	<u>420</u>	<u>420</u>
TOTAL REVENUES	<u>\$ 1,868,635</u>	<u>\$ 2,154,729</u>	<u>\$ 286,094</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 28,200	\$ 13,388	\$ 14,812
Contracted Services	277,380	276,902	478
Utilities	130,200	151,928	(21,728)
Water Authority Costs	1,140,000	1,479,591	(339,591)
Repairs and Maintenance	157,805	143,392	14,413
Other	<u>135,050</u>	<u>89,528</u>	<u>45,522</u>
TOTAL EXPENDITURES	<u>\$ 1,868,635</u>	<u>\$ 2,154,729</u>	<u>\$ (286,094)</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ -0-	\$ -0-
FUND BALANCE - JANUARY 1, 2018	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE - DECEMBER 31, 2018	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

DECEMBER 31, 2018

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2018

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> X </u>	Retail Water	<u> </u>	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> X </u>	Parks/Recreation	<u> X </u>	Fire Protection	<u> X </u>	Security
<u> X </u>	Solid Waste/Garbage	<u> X </u>	Flood Control	<u> </u>	Roads
<u> X </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> </u>	Other (specify): _____				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 3/4" METER (OR EQUIVALENT):

Based on the rate order approved August 8, 2018.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 22.00	10,000	N	\$ 1.00	10,001 to 15,000
				\$ 1.50	15,001 to 20,000
				\$ 2.10	20,001 to 25,000
				\$ 2.40	25,001 to 35,000
				\$ 3.30	35,001 to 45,000
				\$ 3.90	45,001 and up

WASTEWATER: \$ 21.74 N/A Y

SURCHARGE:

Solid Waste/ Garbage	Included in Wastewater Fees above
Water Authority Fees	\$4.00 per 1,000 gallons of water sold
Fire Protection Services	\$ 11.87

District employs winter averaging for wastewater usage?

 X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$22.00 Wastewater: \$21.74 Surcharge: \$51.87

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2018

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	1,516	1,507	x 1.0	1,507
1"	268	268	x 2.5	670
1½"	7	7	x 5.0	35
2"	49	49	x 8.0	392
3"	1	1	x 15.0	15
4"			x 25.0	
6"	10	10	x 50.0	500
8"	2	2	x 80.0	160
10"			x 115.0	
Total Water Connections	1,853	1,844		3,279
Total Wastewater Connections	1,724	1,716	x 1.0	1,716

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND:

Gallons pumped into system:	48,845,000	Water Accountability Ratio: 95.8% (Gallons billed and sold/Gallons pumped and purchased)
Gallons purchased:	355,613,000	From: North Fort Bend Water Authority
Gallons billed to customers:	271,529,000	
Gallons sold:	115,797,000	To: Fort Bend County Municipal Utility District No. 194

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2018

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Fort Bend County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2018

PROFESSIONAL FEES:	
Auditing	\$ 17,700
Engineering	41,041
Legal	<u>154,716</u>
TOTAL PROFESSIONAL FEES	<u>\$ 213,457</u>
JOINT FACILITIES COSTS	<u>\$ 1,475,782</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 28,675
Operations and Billing	<u>54,855</u>
TOTAL CONTRACTED SERVICES	<u>\$ 83,530</u>
UTILITIES:	
Electricity	\$ 8,186
Telephone	<u>1,353</u>
TOTAL UTILITIES	<u>\$ 9,539</u>
REPAIRS AND MAINTENANCE	<u>\$ 564,131</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 19,350
Insurance	3,534
Office Supplies and Postage	30,636
Payroll Taxes and Administration	3,976
Travel and Meetings	7,696
Other	<u>10,091</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 75,283</u>
CAPITAL OUTLAY	<u>\$ 183,660</u>
TAP CONNECTIONS	<u>\$ 27,570</u>
SOLID WASTE DISPOSAL	<u>\$ 270,963</u>
FIRE FIGHTING	<u>\$ 299,653</u>
OTHER EXPENDITURES:	
Consulting and Management Services	\$ 82,219
Laboratory Fees	29,720
Permit Fees	5,399
Inspection Fees	14,824
Regulatory Assessment	<u>6,316</u>
TOTAL OTHER EXPENDITURES	<u>\$ 138,478</u>
TOTAL EXPENDITURES	<u><u>\$ 3,342,046</u></u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
INVESTMENTS
DECEMBER 31, 2018

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 4,624,303	\$ -0-
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 2,194,671	\$ -0-
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 1,013,266	\$
TexPool	XXXX0004	Varies	Daily	155,168	
TOTAL CAPITAL PROJECTS FUND				\$ 1,168,434	\$ -0-
TOTAL - ALL FUNDS				\$ 7,987,408	\$ -0-

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
JANUARY 1, 2018	\$ 1,310,629		\$ 2,979,109	
Adjustments to Beginning				
Balance	<u>(6,080)</u>	\$ 1,304,549	<u>(18,201)</u>	\$ 2,960,908
Original 2018 Tax Levy	\$ 1,598,058		\$ 3,626,363	
Adjustment to 2018 Tax Levy	<u>3,816</u>	<u>1,601,874</u>	<u>8,660</u>	<u>3,635,023</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 2,906,423		\$ 6,595,931
TAX COLLECTIONS:				
Prior Years	\$ 1,299,676		\$ 2,946,094	
Current Year	<u>233,158</u>	<u>1,532,834</u>	<u>529,091</u>	<u>3,475,185</u>
TAXES RECEIVABLE -				
DECEMBER 31, 2018		<u>\$ 1,373,589</u>		<u>\$ 3,120,746</u>
TAXES RECEIVABLE BY				
YEAR:				
2018		\$ 1,368,716		\$ 3,105,932
2017		1,796		4,077
2016		1,418		3,947
2015		868		3,425
2014		492		2,124
2013		259		1,061
2012		<u>40</u>		<u>180</u>
TOTAL		<u>\$ 1,373,589</u>		<u>\$ 3,120,746</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PROPERTY VALUATIONS:				
Land	\$ 130,180,773	\$ 128,753,963	\$ 121,102,260	\$ 116,821,582
Improvements	514,372,083	495,569,789	486,184,963	424,431,366
Personal Property	9,009,680	7,317,060	6,084,805	5,401,130
Exemptions	<u>(37,457,024)</u>	<u>(11,070,413)</u>	<u>(10,071,002)</u>	<u>(13,205,982)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 616,105,512</u>	<u>\$ 620,570,399</u>	<u>\$ 603,301,026</u>	<u>\$ 533,448,096</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.59	\$ 0.59	\$ 0.64	\$ 0.75
Maintenance	<u>0.26</u>	<u>0.26</u>	<u>0.23</u>	<u>0.19</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.85</u>	<u>\$ 0.85</u>	<u>\$ 0.87</u>	<u>\$ 0.94</u>
ADJUSTED TAX LEVY*	<u>\$ 5,236,897</u>	<u>\$ 5,274,848</u>	<u>\$ 5,248,719</u>	<u>\$ 5,014,413</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>14.56 %</u>	<u>99.89 %</u>	<u>99.90 %</u>	<u>99.91 %</u>
	**			

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on May 15, 2004.

** Taxes were in the process of collection at fiscal year-end and were greater than 98% collected as of the date of this report.

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 0 9			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 170,000	\$ 13,940	\$ 183,940
2020	170,000	6,970	176,970
2021			
2022			
2023			
2024			
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2040			
	<u>\$ 340,000</u>	<u>\$ 20,910</u>	<u>\$ 360,910</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 0 9 A			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 205,000	\$ 16,400	\$ 221,400
2020	205,000	8,200	213,200
2021			
2022			
2023			
2024			
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2026			
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2040			
	<u>\$ 410,000</u>	<u>\$ 24,600</u>	<u>\$ 434,600</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

Due During Fiscal Years Ending December 31	S E R I E S - 2 0 1 0		
	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 65,000	\$ 10,762	\$ 75,762
2020	70,000	7,350	77,350
2021	70,000	3,675	73,675
2022			
2023			
2024			
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2040			
	<u>\$ 205,000</u>	<u>\$ 21,787</u>	<u>\$ 226,787</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 1 0 A			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 40,000	\$ 48,563	\$ 88,563
2020	40,000	46,462	86,462
2021	45,000	44,363	89,363
2022	45,000	42,000	87,000
2023	45,000	39,637	84,637
2024	50,000	37,275	87,275
2025	50,000	34,650	84,650
2026	55,000	32,025	87,025
2027	60,000	29,138	89,138
2028	60,000	25,987	85,987
2029	65,000	22,838	87,838
2030	65,000	19,425	84,425
2031	70,000	16,012	86,012
2032	75,000	12,338	87,338
2033	80,000	8,400	88,400
2034	80,000	4,200	84,200
2035			
2036			
2037			
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2039			
2040			
	<u>\$ 925,000</u>	<u>\$ 463,313</u>	<u>\$ 1,388,313</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

Due During Fiscal Years Ending December 31	S E R I E S - 2 0 1 1		
	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 115,000	\$ 9,200	\$ 124,200
2020	115,000	4,600	119,600
2021			
2022			
2023			
2024			
2025			
2026			
2027			
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2040			
	<u>\$ 230,000</u>	<u>\$ 13,800</u>	<u>\$ 243,800</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 1 1 A			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 115,000	\$ 93,438	\$ 208,438
2020	115,000	87,112	202,112
2021	115,000	82,513	197,513
2022	115,000	77,912	192,912
2023	115,000	73,313	188,313
2024	115,000	68,712	183,712
2025	115,000	64,113	179,113
2026	115,000	59,512	174,512
2027	115,000	54,913	169,913
2028	115,000	50,312	165,312
2029	115,000	45,713	160,713
2030	115,000	40,825	155,825
2031	115,000	35,937	150,937
2032	115,000	31,050	146,050
2033	115,000	25,875	140,875
2034	115,000	20,700	135,700
2035	115,000	15,525	130,525
2036	115,000	10,350	125,350
2037	115,000	5,175	120,175
2038			
2039			
2040			
	<u>\$ 2,185,000</u>	<u>\$ 943,000</u>	<u>\$ 3,128,000</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 1 2 R E F U N D I N G			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 465,000	\$ 250,500	\$ 715,500
2020	485,000	236,550	721,550
2021	505,000	222,000	727,000
2022	525,000	206,850	731,850
2023	540,000	191,100	731,100
2024	575,000	172,200	747,200
2025	600,000	152,075	752,075
2026	625,000	131,075	756,075
2027	650,000	109,200	759,200
2028	675,000	86,450	761,450
2029	710,000	62,825	772,825
2030	740,000	37,975	777,975
2031	345,000	12,075	357,075
2032			
2033			
2034			
2035			
2036			
2037			
2038			
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2040			
	<u>\$ 7,440,000</u>	<u>\$ 1,870,875</u>	<u>\$ 9,310,875</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 1 3			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 170,000	\$ 107,475	\$ 277,475
2020	170,000	104,075	274,075
2021	170,000	98,975	268,975
2022	170,000	93,875	263,875
2023	170,000	88,775	258,775
2024	170,000	83,675	253,675
2025	170,000	78,575	248,575
2026	170,000	73,475	243,475
2027	170,000	68,375	238,375
2028	170,000	63,275	233,275
2029	165,000	57,750	222,750
2030	165,000	52,388	217,388
2031	165,000	47,025	212,025
2032	165,000	41,662	206,662
2033	165,000	35,888	200,888
2034	165,000	30,112	195,112
2035	165,000	24,338	189,338
2036	165,000	18,562	183,562
2037	165,000	12,375	177,375
2038	165,000	6,187	171,187
2039			
2040			
	<u>\$ 3,350,000</u>	<u>\$ 1,186,837</u>	<u>\$ 4,536,837</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 1 4			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 150,000	\$ 114,687	\$ 264,687
2020	150,000	111,688	261,688
2021	150,000	107,187	257,187
2022	150,000	102,688	252,688
2023	150,000	98,187	248,187
2024	150,000	93,688	243,688
2025	150,000	89,187	239,187
2026	150,000	84,688	234,688
2027	150,000	79,437	229,437
2028	150,000	74,188	224,188
2029	150,000	68,937	218,937
2030	150,000	63,687	213,687
2031	150,000	58,250	208,250
2032	150,000	52,625	202,625
2033	150,000	47,000	197,000
2034	150,000	41,000	191,000
2035	150,000	35,000	185,000
2036	145,000	29,000	174,000
2037	145,000	23,200	168,200
2038	145,000	17,400	162,400
2039	145,000	11,600	156,600
2040	145,000	5,800	150,800
	<u>\$ 3,275,000</u>	<u>\$ 1,409,124</u>	<u>\$ 4,684,124</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 1 4 A			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 80,000	\$ 53,875	\$ 133,875
2020	80,000	52,275	132,275
2021	80,000	49,875	129,875
2022	80,000	47,475	127,475
2023	80,000	45,075	125,075
2024	80,000	42,675	122,675
2025	80,000	40,275	120,275
2026	75,000	37,875	112,875
2027	75,000	35,625	110,625
2028	75,000	33,375	108,375
2029	75,000	31,125	106,125
2030	75,000	28,781	103,781
2031	75,000	26,438	101,438
2032	75,000	24,094	99,094
2033	75,000	21,750	96,750
2034	75,000	19,125	94,125
2035	75,000	16,500	91,500
2036	75,000	13,875	88,875
2037	75,000	11,250	86,250
2038	75,000	8,437	83,437
2039	75,000	5,625	80,625
2040	75,000	2,813	77,813
	<u>\$ 1,685,000</u>	<u>\$ 648,213</u>	<u>\$ 2,333,213</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 1 4 B			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 130,000	\$ 87,762	\$ 217,762
2020	130,000	85,163	215,163
2021	130,000	82,562	212,562
2022	130,000	79,963	209,963
2023	130,000	76,062	206,062
2024	130,000	72,163	202,163
2025	130,000	68,262	198,262
2026	130,000	64,363	194,363
2027	130,000	60,462	190,462
2028	130,000	56,563	186,563
2029	130,000	52,662	182,662
2030	130,000	48,600	178,600
2031	130,000	44,538	174,538
2032	125,000	40,312	165,312
2033	125,000	36,250	161,250
2034	125,000	32,031	157,031
2035	125,000	27,813	152,813
2036	125,000	23,281	148,281
2037	125,000	18,750	143,750
2038	125,000	14,062	139,062
2039	125,000	9,375	134,375
2040	125,000	4,688	129,688
	<u>\$ 2,815,000</u>	<u>\$ 1,085,687</u>	<u>\$ 3,900,687</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 1 5 R E F U N D I N G			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 350,000	\$ 163,369	\$ 513,369
2020	350,000	156,369	506,369
2021	355,000	149,369	504,369
2022	365,000	138,719	503,719
2023	370,000	127,769	497,769
2024	380,000	116,669	496,669
2025	390,000	101,469	491,469
2026	400,000	85,869	485,869
2027	410,000	69,869	479,869
2028	415,000	53,469	468,469
2029	425,000	41,019	466,019
2030	430,000	27,737	457,737
2031	440,000	14,300	454,300
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 5,080,000</u>	<u>\$ 1,245,996</u>	<u>\$ 6,325,996</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 1 6			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 195,000	\$ 107,947	\$ 302,947
2020	190,000	105,023	295,023
2021	190,000	102,172	292,172
2022	190,000	99,038	289,038
2023	190,000	95,712	285,712
2024	190,000	91,913	281,913
2025	190,000	88,112	278,112
2026	190,000	84,313	274,313
2027	190,000	80,037	270,037
2028	190,000	75,288	265,288
2029	190,000	70,537	260,537
2030	190,000	65,313	255,313
2031	190,000	60,087	250,087
2032	190,000	54,388	244,388
2033	190,000	48,687	238,687
2034	190,000	42,988	232,988
2035	190,000	37,287	227,287
2036	190,000	31,588	221,588
2037	190,000	25,887	215,887
2038	190,000	19,950	209,950
2039	190,000	13,300	203,300
2040	190,000	6,650	196,650
	<u>\$ 4,185,000</u>	<u>\$ 1,406,217</u>	<u>\$ 5,591,217</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 1 6 R E F U N D I N G			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 25,000	\$ 168,050	\$ 193,050
2020	25,000	167,550	192,550
2021	25,000	167,050	192,050
2022	225,000	166,550	391,550
2023	225,000	162,050	387,050
2024	390,000	155,300	545,300
2025	375,000	143,600	518,600
2026	375,000	128,600	503,600
2027	370,000	113,600	483,600
2028	365,000	98,800	463,800
2029	365,000	84,200	449,200
2030	360,000	69,600	429,600
2031	355,000	55,200	410,200
2032	350,000	41,000	391,000
2033	340,000	27,000	367,000
2034	335,000	13,400	348,400
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 4,505,000</u>	<u>\$ 1,761,550</u>	<u>\$ 6,266,550</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 1 7			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 80,000	\$ 50,300	\$ 130,300
2020	80,000	48,700	128,700
2021	80,000	47,100	127,100
2022	80,000	45,500	125,500
2023	80,000	43,900	123,900
2024	80,000	42,300	122,300
2025	80,000	40,300	120,300
2026	80,000	38,100	118,100
2027	80,000	35,900	115,900
2028	80,000	33,700	113,700
2029	80,000	31,500	111,500
2030	80,000	29,100	109,100
2031	80,000	26,700	106,700
2032	80,000	24,300	104,300
2033	80,000	21,700	101,700
2034	80,000	19,100	99,100
2035	80,000	16,500	96,500
2036	80,000	13,900	93,900
2037	80,000	11,300	91,300
2038	80,000	8,700	88,700
2039	80,000	5,800	85,800
2040	80,000	2,900	82,900
	<u>\$ 1,760,000</u>	<u>\$ 637,300</u>	<u>\$ 2,397,300</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

<u>S E R I E S - 2 0 1 7 A R E F U N D I N G</u>			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 40,000	\$ 111,519	\$ 151,519
2020	40,000	110,719	150,719
2021	525,000	109,919	634,919
2022	390,000	99,419	489,419
2023	390,000	85,768	475,768
2024	220,000	74,069	294,069
2025	220,000	67,468	287,468
2026	220,000	60,869	280,869
2027	220,000	54,268	274,268
2028	220,000	47,669	267,669
2029	225,000	41,069	266,069
2030	220,000	34,318	254,318
2031	225,000	27,719	252,719
2032	225,000	20,969	245,969
2033	225,000	14,219	239,219
2034	230,000	7,188	237,188
2035			
2036			
2037			
2038			
2039			
2040			
	\$ 3,835,000	\$ 967,169	\$ 4,802,169

See accompanying independent auditor's report.

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FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 2,395,000	\$ 1,407,787	\$ 3,802,787
2020	2,415,000	1,338,806	3,753,806
2021	2,440,000	1,266,760	3,706,760
2022	2,465,000	1,199,989	3,664,989
2023	2,485,000	1,127,348	3,612,348
2024	2,530,000	1,050,639	3,580,639
2025	2,550,000	968,086	3,518,086
2026	2,585,000	880,764	3,465,764
2027	2,620,000	790,824	3,410,824
2028	2,645,000	699,076	3,344,076
2029	2,695,000	610,175	3,305,175
2030	2,720,000	517,749	3,237,749
2031	2,340,000	424,281	2,764,281
2032	1,550,000	342,738	1,892,738
2033	1,545,000	286,769	1,831,769
2034	1,545,000	229,844	1,774,844
2035	900,000	172,963	1,072,963
2036	895,000	140,556	1,035,556
2037	895,000	107,937	1,002,937
2038	780,000	74,736	854,736
2039	615,000	45,700	660,700
2040	615,000	22,851	637,851
	<u>\$ 42,225,000</u>	<u>\$ 13,706,378</u>	<u>\$ 55,931,378</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
CHANGES IN LONG-TERM BOND DEBT
DECEMBER 31, 2018

Description	Original Bonds Issued	Bonds Outstanding January 1, 2018
Fort Bend County Municipal Utility District No. 146 Unlimited Tax Bonds - Series 2009	\$ 4,200,000	\$ 510,000
Fort Bend County Municipal Utility District No. 146 Unlimited Tax Bonds - Series 2009A	4,870,000	615,000
Fort Bend County Municipal Utility District No. 146 Unlimited Tax Bonds - Series 2010	1,975,000	265,000
Fort Bend County Municipal Utility District No. 146 Unlimited Tax Park Bonds - Series 2010A	1,185,000	960,000
Fort Bend County Municipal Utility District No. 146 Unlimited Tax Bonds - Series 2011	2,620,000	345,000
Fort Bend County Municipal Utility District No. 146 Unlimited Tax Bonds - Series 2011A	2,900,000	2,300,000
Fort Bend County Municipal Utility District No. 146 Unlimited Tax Refunding Bonds - Series 2012	8,475,000	7,700,000
Fort Bend County Municipal Utility District No. 146 Unlimited Tax Bonds - Series 2013	4,200,000	3,520,000
Fort Bend County Municipal Utility District No. 146 Unlimited Tax Bonds - Series 2014	3,880,000	3,425,000
Fort Bend County Municipal Utility District No. 146 Unlimited Tax Bonds - Series 2014A	2,000,000	1,765,000
Fort Bend County Municipal Utility District No. 146 Unlimited Tax Park Bonds - Series 2014B	3,330,000	2,945,000
Fort Bend County Municipal Utility District No. 146 Unlimited Tax Refunding Bonds - Series 2015	6,245,000	5,615,000

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds	Paying Agent
	Principal	Interest	Outstanding December 31, 2018	
\$	\$ 170,000	\$ 22,865	\$ 340,000	US Bank, N.A. Houston, TX
	205,000	24,600	410,000	US Bank, N.A. Houston, TX
	60,000	13,913	205,000	US Bank, N.A. Houston, TX
	35,000	50,400	925,000	US Bank, N.A. Houston, TX
	115,000	13,225	230,000	US Bank, N.A. Houston, TX
	115,000	99,762	2,185,000	US Bank, N.A. Houston, TX
	260,000	255,700	7,440,000	US Bank, N.A. Houston, TX
	170,000	110,875	3,350,000	US Bank, N.A. Houston, TX
	150,000	117,687	3,275,000	US Bank, N.A. Houston, TX
	80,000	55,475	1,685,000	US Bank, N.A. Houston, TX
	130,000	90,363	2,815,000	US Bank, N.A. Houston, TX
	535,000	174,069	5,080,000	US Bank, N.A. Houston, TX

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
CHANGES IN LONG-TERM BOND DEBT
DECEMBER 31, 2018

Description	Original Bonds Issued	Bonds Outstanding January 1, 2018
Fort Bend County Municipal Utility District No. 146 Unlimited Tax Bonds - Series 2016	\$ 4,765,000	\$ 4,380,000
Fort Bend County Municipal Utility District No. 146 Unlimited Tax Refunding Bonds - Series 2016	4,550,000	4,530,000
Fort Bend County Municipal Utility District No. 146 Unlimited Tax Park Bonds - Series 2017	1,900,000	1,840,000
Fort Bend County Municipal Utility District No. 146 Unlimited Tax Refunding Bonds - Series 2017A	<u>3,870,000</u>	<u>3,870,000</u>
TOTAL	<u>\$ 60,965,000</u>	<u>\$ 44,585,000</u>

Bond Authority:	Tax Bonds (Utilities)	Refunding Bonds	Park Bonds
Amount Authorized by Voters	\$ 126,000,000	\$ 24,300,000	\$ 10,200,000
Amount Issued	<u>50,085,000</u>	<u>1,325,000</u>	<u>6,415,000</u>
Remaining to be Issued	<u>\$ 75,915,000</u>	<u>\$ 22,975,000</u>	<u>\$ 3,785,000</u>

Debt Service Fund cash and investment balances as of December 31, 2018: \$ 2,257,350

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 2,542,335

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

Current Year Transactions				Bonds Outstanding December 31, 2018	Paying Agent
Bonds Sold	Retirements				
	Principal	Interest			
\$	\$ 195,000	\$ 110,385	\$ 4,185,000	US Bank, N.A. Houston, TX	
	25,000	168,550	4,505,000	US Bank, N.A. Houston, TX	
	80,000	51,900	1,760,000	US Bank, N.A. Houston, TX	
	35,000	115,024	3,835,000	US Bank, N.A. Houston, TX	
<u>\$ - 0 -</u>	<u>\$ 2,360,000</u>	<u>\$ 1,474,793</u>	<u>\$ 42,225,000</u>		

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 1,607,204	\$ 1,379,342	\$ 1,013,720
Water Service	699,853	702,952	662,479
Wastewater Service	476,611	465,035	456,455
Fire Protection Service	295,400	283,411	274,889
Water Authority Fees	894,653	899,499	795,055
Penalty and Interest	36,832	27,452	36,504
Tap Connection and Inspection Fees	46,628	139,654	153,207
Sales Tax Revenues	78,338	73,716	88,635
Miscellaneous Revenues	152,205	48,115	41,402
TOTAL REVENUES	<u>\$ 4,287,724</u>	<u>\$ 4,019,176</u>	<u>\$ 3,522,346</u>
EXPENDITURES			
Professional Fees	\$ 213,457	\$ 259,794	\$ 310,842
Contracted Services	354,493	346,287	337,392
Purchased Water and Wastewater Service	1,475,782	1,523,476	1,356,951
Utilities	9,539	9,633	14,352
Fire Protection Service	299,653	287,559	274,142
Repairs and Maintenance	564,131	524,227	510,227
Other	241,331	303,629	268,870
Capital Outlay	183,660	70,681	194,629
TOTAL EXPENDITURES	<u>\$ 3,342,046</u>	<u>\$ 3,325,286</u>	<u>\$ 3,267,405</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 945,678</u>	<u>\$ 693,890</u>	<u>\$ 254,941</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	<u>\$ -0-</u>	<u>\$ (33,765)</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 945,678	\$ 660,125	\$ 254,941
BEGINNING FUND BALANCE	<u>3,874,511</u>	<u>3,214,386</u>	<u>2,959,445</u>
ENDING FUND BALANCE	<u><u>\$ 4,820,189</u></u>	<u><u>\$ 3,874,511</u></u>	<u><u>\$ 3,214,386</u></u>

See accompanying independent auditor's report.

		Percentage of Total Revenues						
2015	2014	2018	2017	2016	2015	2014		
\$ 832,844	\$ 706,588	37.5 %	34.2 %	28.8 %	26.1 %	23.9 %		
658,522	564,650	16.3	17.5	18.8	20.6	19.1		
431,185	397,772	11.1	11.6	13.0	13.5	13.5		
256,366	214,073	6.9	7.1	7.8	8.0	7.2		
666,704	561,790	20.9	22.4	22.6	20.9	19.0		
29,456	29,454	0.9	0.7	1.0	0.9	1.0		
263,852	418,357	1.1	3.5	4.3	8.3	14.2		
19,419	17,249	1.8	1.8	2.5	0.6	0.6		
35,157	43,907	3.5	1.2	1.2	1.1	1.5		
<u>\$ 3,193,505</u>	<u>\$ 2,953,840</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>		
\$ 287,557	\$ 203,743	5.0 %	6.5 %	8.8 %	9.0 %	6.9 %		
411,604	386,568	8.3	8.6	9.6	12.9	13.1		
1,146,780	1,080,754	34.4	37.9	38.5	35.9	36.6		
13,534	12,536	0.2	0.2	0.4	0.4	0.4		
254,301	210,400	7.0	7.2	7.8	8.0	7.1		
490,706	349,706	13.2	13.0	14.5	15.4	11.8		
396,065	318,725	5.6	7.6	7.6	12.4	10.8		
		4.3	1.8	5.5				
<u>\$ 3,000,547</u>	<u>\$ 2,562,432</u>	<u>78.0 %</u>	<u>82.8 %</u>	<u>92.7 %</u>	<u>94.0 %</u>	<u>86.7 %</u>		
<u>\$ 192,958</u>	<u>\$ 391,408</u>	<u>22.0 %</u>	<u>17.2 %</u>	<u>7.3 %</u>	<u>6.0 %</u>	<u>13.3 %</u>		
<u>\$ -0-</u>	<u>\$ 295,377</u>							
\$ 192,958	\$ 686,785							
<u>2,766,487</u>	<u>2,079,702</u>							
\$ 2,959,445	\$ 2,766,487							

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 3,643,946	\$ 3,835,868	\$ 4,001,626
Penalty and Interest	21,550	15,547	17,282
Miscellaneous Revenues	<u>63,199</u>	<u>31,943</u>	<u>13,707</u>
TOTAL REVENUES	<u>\$ 3,728,695</u>	<u>\$ 3,883,358</u>	<u>\$ 4,032,615</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 75,927	\$ 72,602	\$ 71,483
Debt Service Principal	2,360,000	2,290,000	2,180,000
Debt Service Interest and Fees	1,481,943	1,525,254	1,508,496
Bond Issuance Costs		156,525	178,665
Payment to Refunded Bond Escrow Agent		<u>92,000</u>	
TOTAL EXPENDITURES	<u>\$ 3,917,870</u>	<u>\$ 4,136,381</u>	<u>\$ 3,938,644</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (189,175)</u>	<u>\$ (253,023)</u>	<u>\$ 93,971</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	\$	\$	\$
Refunding Bonds		3,870,000	4,550,000
Transfer to Refunded Bond Escrow Agent		(3,804,489)	(4,900,285)
Bond Premium		<u>94,999</u>	<u>474,619</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ 160,510</u>	<u>\$ 124,334</u>
NET CHANGE IN FUND BALANCE	\$ (189,175)	\$ (92,513)	\$ 218,305
BEGINNING FUND BALANCE	<u>2,075,134</u>	<u>2,167,647</u>	<u>1,949,342</u>
ENDING FUND BALANCE	<u>\$ 1,885,959</u>	<u>\$ 2,075,134</u>	<u>\$ 2,167,647</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,844</u>	<u>1,843</u>	<u>1,800</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,716</u>	<u>1,716</u>	<u>1,676</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 3,594,556	\$ 2,896,945	97.7 %	98.8 %	99.3 %	99.3 %	99.6 %
23,789	12,639	0.6	0.4	0.4	0.7	0.4
2,780	1,324	1.7	0.8	0.3		
<u>\$ 3,621,125</u>	<u>\$ 2,910,908</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 67,014	\$ 54,664	2.0 %	1.9 %	1.8 %	1.9 %	1.9 %
1,965,000	1,525,000	63.3	59.0	54.1	54.3	52.4
1,616,420	1,472,175	39.7	39.3	37.4	44.6	50.6
215,892			4.0	4.4	6.0	
			2.4			
<u>\$ 3,864,326</u>	<u>\$ 3,051,839</u>	<u>105.0 %</u>	<u>106.6 %</u>	<u>97.7 %</u>	<u>106.8 %</u>	<u>104.9 %</u>
<u>\$ (243,201)</u>	<u>\$ (140,931)</u>	<u>(5.0) %</u>	<u>(6.6) %</u>	<u>2.3 %</u>	<u>(6.8) %</u>	<u>(4.9) %</u>
\$ 6,245,000	\$ 126,788					
(6,243,739)						
218,068						
<u>\$ 219,329</u>	<u>\$ 126,788</u>					
\$ (23,872)	\$ (14,143)					
<u>1,973,214</u>	<u>1,987,357</u>					
<u>\$ 1,949,342</u>	<u>\$ 1,973,214</u>					
<u>1,751</u>	<u>1,659</u>					
<u>1,643</u>	<u>1,575</u>					

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2018

District Mailing Address - Fort Bend County Municipal Utility District No. 146
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members:	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>December 31, 2018</u>	Expense Reimbursements for the year ended <u>December 31, 2018</u>	<u>Title</u>
Mark Yentzen	05/2016 05/2020 (Elected)	\$ 4,050	\$ 10	President
Thomas J. Kolb	05/2018 05/2022 (Elected)	\$ 2,550	\$ 753	Vice President
Richard Stolleis	05/2016 05/2020 (Elected)	\$ 2,850	\$ 778	Secretary
Dominic Cashiola	05/2018 05/2022 (Elected)	\$ 4,050	\$ 850	Assistant Vice President/ Assistant Secretary
Alfred White	05/2016 05/2020 (Elected)	\$ 5,850	\$ 1,374	Assistant Secretary

Notes: No Director has any business or family relationships with major landowners in the District, with the District's developers or with any of the District's consultants which would disqualify them from serving on the board. The Directors have made all necessary disclosures pursuant to Chapter 176 of the Local Government Code.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):
May 31, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution dated April 16, 2004 and state law. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 146
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2018

Consultants:	<u>Date Hired</u>	<u>District Fees/ Compensation for the year ended December 31, 2018</u>	<u>Joint Facilities Fees/ Compensation for the year ended December 31, 2018</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	03/10/04	\$ 192,600	\$ 8,586	General Counsel
McCall Gibson Swedlund Barfoot PLLC	11/12/04	\$ 17,700	\$ 3,500	Auditor
McLennan & Associates, L.P	03/10/04	\$ 32,808	\$ 9,237	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/11/05	\$ 5,881	\$ -0-	Delinquent Tax Attorney
Costello, Inc.	03/10/04	\$ 65,923	\$ 103,203	Engineer
Masterson Advisors LLC	06/13/18	\$ -0-	\$ -0-	Financial Advisor
Hilltop Securities Inc.	03/10/04	\$ -0-	\$ -0-	Former Financial Advisor
Jorge Diaz	12/14/16	\$ -0-	\$ -0-	Investment Officer
Environmental Development Partners	06/01/12	\$ 315,855	\$ 160,342	Operator
Tax Tech, Inc.	04/16/04	\$ 36,532	\$ -0-	Tax Assessor/ Collector

See accompanying independent auditor's report.