

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 148  
(Fort Bend County, Texas)**

**PRELIMINARY OFFICIAL STATEMENT  
DATED: JANUARY 8, 2016**

**\$3,235,000  
UNLIMITED TAX BONDS  
SERIES 2016**

**BIDS TO BE SUBMITTED: 10:00 A.M., HOUSTON, TEXAS TIME  
THURSDAY, FEBRUARY, 18, 2016**

**BIDS TO BE OPENED: 12:00 P.M., HOUSTON, TEXAS TIME  
THURSDAY, FEBRUARY 18, 2016**



**Financial Advisor**

**PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 8, 2016**

This Preliminary Official Statement is subject to completion and amendment and is intended for the solicitation of initial bids to purchase the Bonds. Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Underwriter.

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

The Bonds will be designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations."

**NEW ISSUE – Book Entry Only**

**\$3,235,000**

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 148**

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

**UNLIMITED TAX BONDS, SERIES 2016**

Interest accrues from: March 1, 2016

Due: September 1, as shown below

Interest on the herein described bonds (the "Bonds") will accrue from March 1, 2016, and is payable on September 1, 2016 and on each March 1 and September 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption, to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date (the "Record Date") and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial Paying Agent/Registrar for the Bonds is Amegy Bank, a division of ZB, National Association, Houston, Texas (the "Paying Agent"). The Bonds are obligations solely of the Fort Bend County Municipal Utility District No. 148 (the "District") and are not obligations of the State of Texas; Fort Bend County, Texas; the City of Rosenberg, Texas; or any entity other than the District.

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

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (b)
2017	\$ 45,000	___%	___%	2029(a)	\$60,000	___%	___%
2018	45,000	___%	___%	2030(a)	60,000	___%	___%
2019	45,000	___%	___%	2031(a)	60,000	___%	___%
2020	50,000	___%	___%	2032(a)	225,000	___%	___%
2021	50,000	___%	___%	2033(a)	235,000	___%	___%
2022	50,000	___%	___%	2034(a)	250,000	___%	___%
2023	50,000	___%	___%	2035(a)	260,000	___%	___%
2024	50,000	___%	___%	2036(a)	270,000	___%	___%
2025(a)	55,000	___%	___%	2037(a)	280,000	___%	___%
2026(a)	55,000	___%	___%	2038(a)	295,000	___%	___%
2027(a)	55,000	___%	___%	2039(a)	310,000	___%	___%
2028(a)	60,000	___%	___%	2040(a)	320,000	___%	___%

- (a) The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2025, in whole or from time to time in part, on September 1, 2024, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS - Redemption Provisions."
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first call date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Underwriter. The yields may be changed at any time at the discretion of the Underwriter. Accrued interest from March 1, 2016 to the date of delivery of the Bonds is to be added to the price.

The Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of constructing water, sanitary sewer and drainage facilities to serve the District. 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 to rate or amount, levied against all taxable property within the District (as defined in the Bond Resolution). See "THE BONDS - Source of Payment." THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. Bond purchasers are encouraged to read this entire Official Statement prior to making an investment decision, including particularly the section titled "RISK FACTORS."

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 Bond by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Coats Rose, P.C., Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about March 17, 2016, in Houston, Texas.

**BIDS TO BE SUBMITTED: 10:00 A.M., HOUSTON, TEXAS TIME  
THURSDAY, FEBRUARY 18, 2016**

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 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.

**USE OF INFORMATION IN OFFICIAL STATEMENT**

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

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any 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, records, and engineering and other related reports set forth in the 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 Robert W. Baird & Co. Incorporated for further information.

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 the 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, other matters described in the "Official Statement" until delivery of the Bonds to the Underwriter and thereafter only as specified in "OFFICIAL STATEMENT - Updating the Official Statement During Underwriting Period."

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**APPENDIX A - Financial Statements of the District**

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

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the bid of \_\_\_\_\_ (the "Underwriter") to purchase the Bonds at the interest rates shown on page 1 of this Official Statement at a price of \_\_\_\_\_% of par plus accrued interest to date of delivery resulting in a net effective interest rate to the District of \_\_\_\_\_%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Underwriter. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Underwriter.

### **Prices and Marketability**

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the sole responsibility of the Underwriter.

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 utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

### **Securities Laws**

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration 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.

## **MUNICIPAL BOND GUARANTY INSURANCE AND RATING**

The District has not made an application for either a commitment for municipal bond guaranty insurance or a municipal bond rating on the Bonds. Furthermore, it is not expected that the District would have been successful in obtaining municipal bond insurance or receiving an investment grade rating on the Bonds had applications been made.

**OFFICIAL STATEMENT SUMMARY**

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

**THE BONDS**

- The Issuer ..... Fort Bend County Municipal Utility District No. 148 (the “District”), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See “THE DISTRICT.”
- Description of the Bonds ..... Fort Bend County Municipal Utility District No. 148 Unlimited Tax Bonds, Series 2016 are in aggregate principal amount of \$3,235,000 (the “Bonds”). The Bonds mature on September 1 in the years and amounts set forth on the cover page hereof. Interest accrues from March 1, 2016 at the rates per annum set forth on the cover page hereof and is payable on September 1, 2016 and on each March 1 and September 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS – General.”
- Redemption..... Bonds maturing on and after September 1, 2025, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2024, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS - Redemption Provisions”.
- Source of Payment..... Principal and interest on the Bonds are payable from the proceeds of an annual ad valorem tax levied upon all taxable property within the District without legal limitation as to rate or amount. **The Bonds are obligations solely of the Fort Bend County Municipal Utility District No. 148 and are not obligations of the State of Texas; Fort Bend County, Texas; the City of Rosenberg, Texas; or any other political subdivision or entity other than the District.** See “THE BONDS - Source of Payment.”
- Payment Record..... The Bonds represent the second series of bonds issued by the District for the purpose of acquiring, constructing, owning, operating, repairing, improving or extending the water, sanitary sewer and drainage facilities to serve the District. The District has never defaulted on the timely payment of principal or interest on its outstanding indebtedness. See “THE BONDS – Payment Record.”
- Authority for Issuance ..... The Bonds are the second series of bonds issued out of an aggregate of \$31,200,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of financing water, sanitary sewer, and drainage improvements. The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”), the resolution authorizing the issuance of the Bonds (the “Bond Resolution”), the Texas Constitution, Chapters 49 and 54, Texas Water Code, and the general laws of the State of Texas. See “RISK FACTORS – Future Debt” and “THE BONDS – Authority for Issuance, and – Issuance of Additional Debt.”
- Use of Proceeds ..... A portion of the proceeds of the sale of the Bonds will be used to reimburse the Developer (hereinafter defined) for (i) construction of Cottonwood Section 1 lift station and force main; (ii) construction of water, wastewater, and drainage to serve Cottonwood Sections 2 and 4-A; (iii) off-site drainage to serve the Cottonwood Development; (iv) engineering costs and materials testing costs associated with items (i)

through (iii); and (v) storm water pollution prevention plan costs for Cottonwood Section 4-A. In addition, a portion of proceeds from the sale of the Bonds will be used to pay 12-months of capitalized interest, developer interest, and other costs of issuing the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

- Municipal Bond Insurance and Rating ..... No application has been made for either a commitment to issue a policy of municipal bond guaranty insurance or a municipal bond rating on the Bonds. Furthermore it is not expected that the District would have been successful in obtaining municipal bond insurance or receiving an investment grade rating had applications been made.
- General & Bond Counsel..... Allen Boone Humphries Robinson LLP, Houston, Texas.
- Disclosure Counsel..... Coats Rose, P.C., Houston, Texas.
- Financial Advisor ..... Robert W. Baird & Co. Incorporated, Houston, Texas.
- District Engineer..... Brown & Gay Engineers, Inc., Houston, Texas.

**THE DISTRICT**

- Description ..... Fort Bend County Municipal Utility District No. 148, a political subdivision of the State of Texas, is located wholly within Fort Bend County, Texas, the City of Rosenberg and the Lamar Consolidated Independent School District. The District is located approximately 1.5 miles southwest of the central business district of the City of Rosenberg. The District consists of approximately 152 acres. See “THE DISTRICT – General, and – Description.”
- Authority..... The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT – General.”
- Developers..... The current developer of land located within the District is Centex Homes, which is a subsidiary of PulteGroup, Inc. PulteGroup, Inc. is a publicly traded company on the New York Stock Exchange and a national homebuilder. Centex Homes is actively building in 15 states. For more information, visit [www.pultegroupinc.com](http://www.pultegroupinc.com). See “THE DEVELOPER.”
- Development within the District..... Land within the District has been developed as the single-family subdivisions of Cottonwood, Sections 1; 2; 3A, 3B, 3C, 4A, 4B, and 4C (aggregating approximately 99.056 acres and 438 single-family lots). As of December 15, 2015, the District consisted of approximately 402 completed and occupied homes and 2 completed and unoccupied homes, 27 homes under construction, 7 vacant developed lots, 50.31 undeveloped but developable acres, and approximately 2.63 undevelopable acres. See “STATUS OF DEVELOPMENT.”
- Homebuilders ..... Centex Homes is actively building homes in the District ranging in price from \$136,990 to \$177,990 and in square footage from 1,207 to 2,615. See “THE DEVELOPER” and “STATUS OF DEVELOPMENT – Homebuilders Within the District.”

## **RISK FACTORS**

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

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**SELECTED FINANCIAL INFORMATION**  
**(UNAUDITED)**

2015 Assessed Valuation .....	\$48,506,080 (a)
(100% of taxable value as of January 1, 2015)	
See "TAX DATA" and "TAXING PROCEDURES."	
Estimated Valuation as of December 1, 2015 .....	\$56,394,513 (b)
(100% of estimated taxable value as of December 1, 2015)	
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt:	
Outstanding Bonds (as of December 15, 2015).....	\$ 1,675,000
The Bonds.....	<u>3,235,000</u>
Total .....	\$ 4,910,000
Estimated Overlapping Debt.....	<u>\$ 5,190,900 (c)</u>
Total Direct and Estimated Overlapping Debt .....	<u>\$10,100,900</u>
Debt Service Fund Balance (as of December 4, 2015) .....	\$ 101,723 (d)
Operating Fund Balance (as of December 4, 2015) .....	\$ 290,466
Direct Debt Ratios:	
As a percentage of 2015 Assessed Valuation (\$48,506,080).....	10.12 %
As a percentage of Estimated Valuation as of December 1, 2015 (\$56,394,513).....	8.71 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of 2015 Assessed Valuation (\$48,506,080).....	20.82 %
As a percentage of Estimated Valuation as of December 1, 2015 (\$56,394,513).....	17.91 %
2015 Tax Rate	
Debt Service .....	\$0.725 (e)
Maintenance & Operation .....	<u>0.155</u>
Total.....	<u>\$0.880</u>
Projected Average Annual Debt Service Requirements of the Bonds and Outstanding Bonds (2016-2040).....	\$ 331,483 (f)
Projected Maximum Annual Debt Service Requirements of the Bonds and Outstanding Bonds (2032) .....	\$ 497,465 (f)
Tax Rate per \$100 of Assessed Valuation Required to Pay Projected Average Annual Debt Service Requirements on the Bonds and Outstanding Bonds (2016-2040) at 95% Tax Collections	
Based Upon 2015 Assessed Valuation (\$48,506,080) .....	\$0.72
Based Upon Estimated Valuation as of December 1, 2015 (\$56,394,513) .....	\$0.62
Tax Rate per \$100 of Assessed Valuation Required to Pay Projected Maximum Annual Debt Service Requirements on the Bonds and Outstanding Bonds (2032) at 95% Tax Collections	
Based Upon 2015 Assessed Valuation (\$48,506,080) .....	\$1.08
Based Upon Estimated Valuation as of December 1, 2015 (\$56,394,513) .....	\$0.93
Single-Family Homes as December 15, 2015 (includes 27 homes under construction).....	431

- (a) Certified Taxable Assessed Value within the District as provided by the Fort Bend Central Appraisal District ("FBCAD").
- (b) Provided by FBCAD for information purposes only. Reflects the addition of value of new construction within the District from January 1, 2015 to December 1, 2015. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Estimated Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund.
- (e) The Texas Commission on Environmental Quality (the "TCEQ") has recommended the District levy a debt service tax rate of at most \$0.72 per \$100 of assessed valuation in the first tax year following the issuance of the Bonds. This recommendation was based upon the Bonds being sold at a maximum effective interest rate of 5.42%. See "TAXING PROCEDURES."
- (f) Debt service on the Bonds is estimated at an average interest rate of 4.50%. See "DISTRICT DEBT – Debt Service Requirement."

**OFFICIAL STATEMENT**

**relating to  
\$3,235,000**

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 148  
(A Political Subdivision of the State of Texas Located in Fort Bend County, Texas)**

**UNLIMITED TAX BONDS, SERIES 2016**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 148 (the “District”) of its \$3,235,000 Unlimited Tax Bonds, Series 2016 (the “Bonds”).

The Bonds are issued pursuant to (i) the Bond Resolution (“Bond Resolution”) adopted by the Board of Directors of the District on the date of the sale of the Bonds, (ii) the Constitution and general laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, as amended, (iii) an election held within the District on February 5, 2005, and (iv) an order issued by the Texas Commission on Environmental Quality (“TCEQ”).

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Resolution.

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027 or during the offering period from the District’s Financial Advisor, Robert W. Baird & Co. Incorporated, Attn: Jan Bartholomew, 1331 Lamar, Suite 1360, Houston, Texas 77010 upon payment of reasonable copying, mailing and handling charges.

**RISK FACTORS**

**General**

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

**Factors Affecting Taxable Values and Tax Payments**

***Economic Factors:*** The rate of development within the District is directly related to the vitality of the single-family housing industry in the Houston metropolitan area. New single-family construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. Fort Bend County currently owns approximately 50.22 acres which is not subject to District taxation. See “DEVELOPMENT WITHIN THE DISTRICT.”

***Location and Access:*** The District is located approximately 32 miles southwest of downtown Houston. The District is located near the intersection of U.S. Highway 59 (the “Southwest Freeway”) and Cottonwood Road, which is approximately 1.5 miles south of the central business district of Rosenberg. See “THE DISTRICT” and “STATUS OF DEVELOPMENT.”

***Principal Landowners' Obligations to the District:*** There is no commitment by or legal requirement of the principal landowners or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any land owner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "THE DEVELOPERS – Description of the Developer," "STATUS OF DEVELOPMENT – Status of Development within the District" and "TAX DATA – Principal Taxpayers."

***Developers Under No Obligation to the District:*** The Developer has informed the District of its current plans to continue to develop land in the District for residential purposes and commercial purposes. The Developer has no current plans to sell its land within the District to other developers. However, the Developer is not obligated to implement such plan on any particular schedule or continue to implement such plan at all. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer (see "TAX DATA – Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer will be or what effect, if any, such conditions may have on its ability to pay taxes. See "THE DEVELOPER," "STATUS OF DEVELOPMENT."

***Maximum Impact on District Tax Rates:*** Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2015 Assessed Valuation of the District is \$48,506,080 and the Estimated Valuation as of December 1, 2015 is \$56,394,513 (see "TAX DATA"). After issuance of the Bonds, the Projected Maximum Annual Debt Service Requirement is estimated to be \$497,465 (2032) and the Projected Average Annual Debt Service Requirement is estimated to be \$331,483 (2016 through 2040, inclusive). Assuming no increase or decrease from the 2015 Assessed Valuation and no use of funds on hand, tax rates of \$1.08 and \$0.72 per \$100 assessed valuation, at a 95% collection rate would be necessary to pay the Projected Maximum Annual Debt Service Requirement and the Projected Average Annual Debt Service Requirement, respectively. Assuming no increase or decrease from the Estimated Valuation as of December 1, 2015 and no use of funds on hand, tax rates of \$0.93 and \$0.62 per \$100 assessed valuation, at a 95% collection rate would be necessary to pay the Projected Maximum Annual Debt Service Requirement and the Projected Average Annual Debt Service Requirement, respectively. See "PROJECTED DEBT SERVICE REQUIREMENTS" and "TAX DATA - Tax Adequacy for Debt Service."

### **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from

a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) 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**

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. 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 provision for 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. Sovereign immunity may prevent a Registered Owner from seeking a judgment for monetary damages against the District. If a Registered Owner could obtain a judgment against the District, such a judgment could not be enforced by a 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 in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners further may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Bankruptcy Limitation to Registered Owners' Rights."

### **Environmental Regulation**

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;
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility 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 Commission may impact new industrial, commercial and residential development in Houston and adjacent areas. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston area ("HGB area") – Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties – was designated by the EPA in 2008 as a severe ozone nonattainment area, with an attainment date of June 15, 2019.

Such areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA's "8-hour" ozone standards are met. To provide for reductions in ozone concentrations, the EPA and the Commission have imposed increasingly stringent limits on sources of air emissions and require any new source of significant air emissions to provide for a net reduction of air emissions. If the HGB area fails to demonstrate progress in reducing ozone concentrations or fails to meet EPA's standards, EPA may impose a moratorium on the awarding of federal

highway construction grants and other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources of air emissions for which construction has not already commenced.

In order to comply with the EPA's standards for the HGB area, the Commission has established a state implementation plan ("SIP") 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. It is possible that additional controls will be necessary to allow the HGB area to reach attainment by June 15, 2019. 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 Utility Districts, including the District, may be required to comply with involve: (1) public water supply systems, (2) wastewater discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the Safe Drinking Water Act ("SDWA"), potable (drinking) water provided by a district to more than twenty-five (25) people or fifteen (15) service connections will be subject to extensive federal and state regulation as a public water supply system, which include, among other requirements, frequent sampling and analyses. Additional or more stringent regulations or requirements pertaining to these and other drinking water contaminants in the future could require installation of more costly treatment facilities.

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. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and must establish the total maximum allowable daily load ("TMDL") of certain pollutants into the water bodies. The TMDL's that districts may discharge may have an impact on the district's ability to obtain and maintain TPDES permits.

Operations of Utility Districts are also potentially subject to numerous stormwater discharge permitting requirements under the Clean Water Act and EPA and TCEQ regulations. The TCEQ reissued the Texas Pollutant Discharge Elimination System Construction General Permit (TXR150000) on February 19, 2013. The permit became effective on March 5, 2013, and is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state.

The TCEQ renewed the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on December 11, 2013. The permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems ("MS4s"). The renewed MS4 Permit impacts a much greater number of MS4s that were not previously subject to the MS4 Permit and contains more stringent requirements than the standards contained in the previous MS4 Permit. MS4s who are subject to the renewed MS4 Permit must apply for authorization under the renewed MS4 Permit by June 11, 2014. It is anticipated that the City could incur substantial costs to develop and implement 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 in order to comply with the renewed MS4 Permit.

Operations of Utility Districts, including the District, are also potentially subject to requirements and restrictions under the Clean Water Act 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 U.S. Army Corps of Engineers if operations of the District require that wetlands be filled, dredged, or otherwise altered.

### **Subsidence District**

The District is within the Fort Bend Subsidence District (the "Subsidence District") which regulates the withdrawal of ground water within its jurisdiction. The City's authority to pump ground water from its wells is subject to annual permits issued by the Subsidence District. The Subsidence District has ordered certain areas of Fort Bend County to convert a portion of their water supply to surface water under various schedules. The issuance of additional bonds by the District at some time in the future in an undetermined amount may be necessary to meet these requirements. The District has a Groundwater Reduction Plan Participation Agreement with the City of Rosenberg. See "THE SYSTEM – Subsidence and Conversion to Surface Water Supply."

## **Future Debt**

Following the issuance of the Bonds, the District will have \$25,925,000 principal amount remaining in authorized but unissued unlimited tax bonds for the purpose of purchasing or constructing water, sanitary sewer and drainage facilities and \$3,000,000 in authorized but unissued unlimited tax bonds for the purpose of purchasing or constructing parks and recreational facilities. The District reserves in the Bond Resolution the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. 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. A portion of the proceeds of the Bonds will be used to reimburse the Developer for a portion of the funds advanced to date, but after such reimbursement, there will be approximately \$2,100,000 in advanced funds or costs, which may need to be reimbursed by the District in the future. The issuance of additional utility bonds is subject to conditions of the District's agreement with the Developer and Texas Commission on Environmental Quality ("TCEQ") approval. See "THE DISTRICT – Issuance of Additional Debt."

Additional tax bonds may be authorized by District's voters in the future. The Board is further empowered to borrow money for any lawful purpose and to issue bond anticipation notes and tax anticipation notes.

The Bond Resolution imposes no limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the district may be on a parity with the Bonds.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District at an election called for such purpose; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling such an election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The issuance of park bonds (including any outstanding principal amount of such bonds) may not exceed an amount of equal to one percent of the value of the taxable property in the District at the time of issuance. At an election held within the District on February 5, 2005, voters in the District approved \$3,000,000 principal amount of park bonds all of which remains authorized and unissued.

## **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 for 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.

## **Bankruptcy Limitation to Registered Owners' Rights**

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. The rights and remedies of the Registered Owners could be adjusted in accordance with the confirmed plan of adjustment of the District's debt.

## **Competitive Nature of Houston Residential Housing Market**

The housing industry in the Houston area is very competitive, and the District can give no assurance that the building programs which are planned by the Developer will be continued or completed. The respective competitive positions of the Developer and any of the homebuilders are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

### **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 retroactively to the date of original issuance. See “TAX MATTERS.”

### **Approval of the Bonds**

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery.

The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, nor has or will the Attorney General pass upon the adequacy or accuracy of the information contained in this Official Statement.

### **Changes in Tax Legislation**

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

## **THE BONDS**

### **General**

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the resolution of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds (the “Bond Resolution”). A copy of the Bond Resolution may be obtained from the District upon request to Bond Counsel. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will bear interest from March 1, 2016, and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the cover page hereof. Interest on the Bonds will be paid on September 1, 2016, and semiannually on each March 1 and September 1 (each an “Interest Payment Date”) thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in the denomination of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrars for the Bonds is Amegy Bank, a division of ZB, National Association, Houston, Texas (the “Paying Agent/Registrar,” “Paying Agent,” or “Registrar”).

### **Redemption Provisions**

The Bonds maturing on and after September 1, 2025, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2024, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption.

The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the Registered Owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

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

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

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

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

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

### **Replacement of Paying Agent**

Provision is made in the Bond Resolution for replacement of the Paying Agent by the District. If the Paying Agent is replaced by the District the new Paying Agent shall act in the same capacity as the previous Paying Agent. Any Paying Agent 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 for the Bonds.

### **Source of Payment**

The Bonds are payable from the proceeds of an annual ad valorem tax levied without legal limitation as to rate or amount against taxable property located within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District's Debt Service Fund and used to pay principal of and interest on the Bonds, and on any additional bonds payable from taxes which may hereafter be issued by the District.

### **Payment Record**

The Bonds represent the second series of unlimited tax bonds issued by the District. The District has never defaulted on the timely payment of principal or interest on its outstanding indebtedness.

**Authority for Issuance**

The Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of purchasing, constructing or otherwise acquiring a water, wastewater and drainage system to serve the District. The bonds authorized by the resident electors of the District, the amount of bonds issued and the remaining authorized but unissued bonds are as follows:

<u>Election Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount Issued</u>	<u>Amount Remaining</u>
February 5, 2005	Water, Sewer & Drainage	\$31,200,000	\$5,275,000 (a)	\$25,925,000
February 5, 2005	Parks & Recreation	3,000,000	-0-	3,000,000
February 5, 2005	Refunding	31,200,000	-0-	31,200,000

(a) Includes the Bonds.

The Bonds are issued by the District pursuant to the Bond Resolution; Article XVI, Section 59 of the Constitution of the State of Texas, Chapters 49 and 54 of the Texas Water Code, as amended, 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 initially 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.

**Outstanding Bonds**

The District has previously issued \$2,040,000 Unlimited Tax Bonds, Series 2007 (the “Series 2007 Bonds”). As of December 15, 2015, \$1,675,000 in principal amount of the previously issued bonds remains outstanding (the “Outstanding Bonds”).

**Defeasance**

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

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

### **Issuance of Additional Debt**

The District's voters have authorized the issuance of \$31,200,000 unlimited tax bonds to purchase or construct water, sanitary sewer and drainage facilities, and could authorize additional amounts. After the issuance of the Bonds, the District will have \$25,925,000 principal amount of unlimited tax bonds remaining authorized but unissued for such purpose. According to the District's Engineer, said remaining principal amount of bonds will be sufficient to fully develop the District's water, sewer, and drainage facilities required to serve all the land within the District.

A portion of the proceeds of the Bonds will be used to reimburse the Developer for a portion of the funds advanced to date, but after such reimbursement, there will be approximately \$2,100,000 in advanced funds or costs, which may need to be reimbursed by the District in the future. The issuance of additional utility bonds is subject to the conditions of the District's agreement with the Developer and to Texas Commission on Environmental Quality ("TCEQ") approval.

The District's voters have additionally authorized the issuance of \$3,000,000 unlimited tax bonds for parks and recreational purposes, all of which remains authorized and unissued, and could authorize additional amounts. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and, for utility bonds, the TCEQ).

Additional tax bonds may be authorized by District's voters in the future. The board is further empowered to borrow money for any lawful purpose and pledge the revenues of the waterworks and sewer system therefore and to issue bond anticipation notes and tax anticipation notes.

### **Amendments to the Bond Resolution**

The District may, without the consent of or notice to any Registered Owners, amend the Bond Resolution in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Resolution, provided that, without the consent of the Registered Owners of all of the Bonds affected, and provided that it has not failed to make a timely payment of principal of or interest on the Bonds, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the redemption price thereof, or the rate of interest thereon, change the place or places at, or the coin or currency in which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) modify any of the provisions of the Bond Resolution relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Resolution cannot be modified or waived without the consent of the holder of each Bond affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

### **Registered Owners' Remedies**

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

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of

mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Texas courts have held that districts such as the District are immune from suits for money damages under the doctrine of sovereign immunity. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws and principles relating to sovereign immunity, bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

### **Bankruptcy Limitation to Registered Owners' Rights**

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debt; 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. Under Texas law, a municipal utility district such as the District must obtain approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

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

Pursuant to Section 49.186, Texas Water Code and Chapter 1204, Texas Government Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for the public funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. The Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose other, more stringent, requirements in order for the Bonds to be legal investments for such entity's funds or to be eligible to serve as collateral for their funds.

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

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

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

The Depository Trust Company (“DTC”), New York NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Security certificate will be issued for each of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s 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](http://www.dtcc.com).

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchase of each Security (“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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities 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 Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Tender/Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records to Tender/Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Tender/Remarketing Agent's DTC account.

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

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

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

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

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

**USE AND DISTRIBUTION OF BOND PROCEEDS**

A portion of the proceeds of the sale of the Bonds will be used to reimburse the Developer (hereinafter defined) for (i) construction of Cottonwood Section 1 lift station and forcemain; (ii) construction of water, wastewater, and drainage to serve Cottonwood Sections 2 and 4-A; (iii) off-site drainage to serve the Cottonwood Development; (iv) engineering costs and materials testing costs associated with items (i) through (iii); and (v) storm water pollution prevention plan costs for Cottonwood Section 4-A. In addition, a portion of proceeds from the sale of the Bonds will be used to pay 12-months of capitalized interest, developer interest, and other costs of issuing the Bonds.

	<u>Amount</u>
<b>CONSTRUCTION COSTS</b>	
Developer Contribution Items	
1. Cottonwood, Section One – Lift Station and Force Main	\$ 196,640
2. Cottonwood, Section Two – W, WW & D	479,402
3. Cottonwood Development – Off-site Drainage	869,080
4. Cottonwood, Section Four –A – W, WW & D	499,527
5. Engineering (16.63% of Items 1 – 4)	339,984
6. Storm Water Pollution Prevention Plan (2.58% of Item 4)	12,870
7. Materials Testing (3.14% of Items 1 – 4)	<u>64,243</u>
<b>Total Developer Contribution Items</b>	<b>\$2,461,746</b>
 <b>TOTAL CONSTRUCTION COSTS</b>	 <b>\$2,461,746</b>
 <b>NON-CONSTRUCTION COSTS</b>	
A. Legal Fees	\$ 95,875
B. Fiscal Agent Fees	64,700
C. Interest	
1. Capitalized Interest	169,838
2. Developer Interest	258,483
D. Bond Discount	97,050
E. Bond Issuance Expenses	35,985
F. Bond Application Report Costs	40,000
G. Attorney General Fees	3,235
H. TCEQ Bond Issuance Fees	<u>8,088</u>
 <b>TOTAL NON-CONSTRUCTION COSTS</b>	 <b><u>\$ 773,254</u></b>
 <b>TOTAL BOND ISSUE REQUIREMENT</b>	 <b>\$3,235,000</b>

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required.

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## THE DISTRICT

### Authority

The District is a municipal utility district created by order of the TCEQ, dated July 12, 2004, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, Article XVI, Section 59 of the Texas Constitution, and other general statutes applicable to municipal utility districts. The District is located wholly within the corporate limits of the City.

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 empowered to establish parks and recreational facilities for the residents of the District, to contract for or employ its own peace officers and, after approval by the City, the TCEQ and the voters of the District, to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts or municipalities.

The TCEQ exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of Rosenberg which limit the purposes for which the District may sell bonds for the acquisition, construction, and improvements of waterworks, wastewater, and drainage facilities and the refunding of outstanding debt obligations relating to such purposes; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by Rosenberg of District construction plans; and permit connections only to platted lots and reserves which have been approved by the Planning Commission of Rosenberg. Construction and operation of the District's drainage system are subject to the regulatory jurisdiction of additional governmental agencies.

### Description

The District contains approximately 152 acres of land. The District is located approximately 32 miles southwest of downtown Houston. The District is located near the intersection of U.S. Highway 59 (the "Southwest Freeway") and Cottonwood Road, which is approximately 1.5 miles south of the central business district of Rosenberg.

### Management of the District

The District is governed by a board of five directors which has control and management supervision over all affairs of the District. None of the directors reside, but all of the directors own property in the District. Directors are elected in even-numbered years for four-staggered terms. The present members and officers of the Board and their positions are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Scott Pleus	President	2018
Paul S. Grover	Vice President	2016
Ryan Newton	Secretary	2016
Kenneth Kucherka	Assistant Secretary	2018
Edward C. Streich	Assistant Vice President	2018

The District engages the following companies and individuals to operate its utilities and recreational facilities:

**Tax Assessor/Collector** - The District's Tax Assessor/Collector is Assessments of the Southwest, Inc. Assessments of the Southwest, Inc. serves approximately 50 municipal utility districts. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Fort Bend Central Appraisal District and bills and collects such levy.

**Bookkeeper** - The District contracts with F Matuska, Inc. for bookkeeping services. Such firm acts as bookkeeper for approximately 35 utility districts.

**Utility System Operator** – The City operates and maintains the District's water and wastewater system.

**Engineer** - The consulting engineer retained by the District in connection with the design and construction of the District's facilities is Brown & Gay Engineers, Inc. (the "Engineer").

**Auditor** - As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. A copy of the District's financial statements for the fiscal year ended September 30, 2014 which were audited by McGrath & Co., PLLC, is included as "APPENDIX A" to this Official Statement. The District has engaged McGrath & Co., PLLC to perform an audit report on the September 30, 2015 financial statements.

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

**Legal Counsel** - The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as Bond Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds. Allen Boone Humphries Robinson LLP, Houston, Texas, also serves as the District's general counsel.

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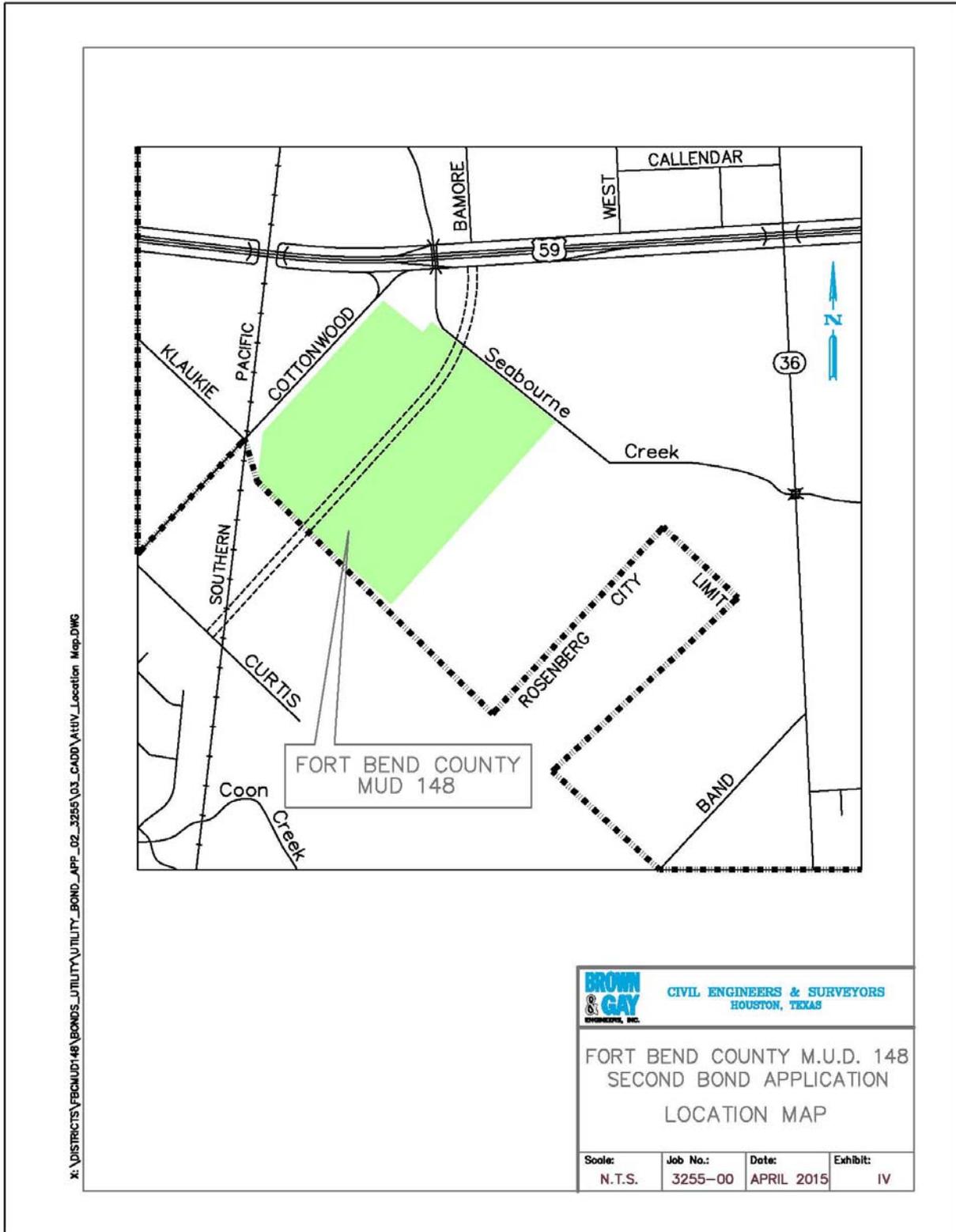
**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**  
(taken January, 2016)



**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**  
(taken January, 2016)



LOCATION MAP OF THE DISTRICT



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		CIVIL ENGINEERS & SURVEYORS HOUSTON, TEXAS	
FORT BEND COUNTY M.U.D. 148 SECOND BOND APPLICATION LOCATION MAP			
Scale:	Job No.:	Date:	Exhibit:
N.T.S.	3255-00	APRIL 2015	IV

## THE DEVELOPERS

### The Role of a Developer

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

### Description of the Developer

The current developer of land located within the District is Centex Homes, which is a subsidiary of PulteGroup, Inc. PulteGroup, Inc. is a publicly traded company on the New York Stock Exchange and a national homebuilder. Centex Homes is actively building in 15 states. For more information, visit [www.pultegroupinc.com](http://www.pultegroupinc.com). See "STATUS OF DEVELOPMENT" and "TAX DATA – Principal Taxpayers."

## STATUS OF DEVELOPMENT

### Status of Development within the District

Land within the District has been developed as the single-family subdivisions of Cottonwood, Sections 1; 2; 3A, 3B, 3C, 4A, 4B, and 4C (aggregating approximately 99.056 acres and 438 single-family lots). As of December 15, 2015, the District consisted of approximately 402 completed and occupied homes and 2 completed and unoccupied homes, 27 homes under construction, 7 vacant developed lots, 50.31 undeveloped but developable acres, and approximately 2.63 undevelopable acres. Fort Bend County currently owns approximately 50.22 acres within the District and in the future plans to construct a transit facility.

The following is a status of construction of single-family detached housing within the District, as of December 15, 2015.

	Acreage	Homes			Vacant Developed Lots
		Lots	Completed	Under Construction	
Cottonwood					
Section 1	30.120	113	113	---	---
Section 2	20.150	101	101	---	---
Section 3A	8.259	42	42	---	---
Section 3B	8.333	44	44	---	---
Section 3C	8.368	41	11	26	4
Section 4A	7.130	30	29	---	1
Section 4B	11.500	42	39	1	2
Section 4C	<u>5.196</u>	<u>25</u>	<u>25</u>	<u>---</u>	<u>---</u>
Total	99.056	438	404	27	7

### Homebuilders within the District

Centex Homes is actively building homes in the District ranging in price from \$136,990 to \$177,990 and in square footage from 1,207 to 2,615. See "THE DEVELOPER."

**DISTRICT DEBT**

**General**

The following tables and calculations relate to the Bonds. The District and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be raised by taxation against all or a portion of the property within the District.

2015 Assessed Valuation .....	\$48,506,080 (a)
(100% of taxable value as of January 1, 2015)	
See "TAX DATA" and "TAXING PROCEDURES."	

Estimated Valuation as of December 1, 2015 .....	\$56,394,513 (b)
(100% of estimated taxable value as of December 1, 2015)	
See "TAX DATA" and "TAXING PROCEDURES."	

Direct Debt:

Outstanding Bonds (as of December 15, 2015).....	\$ 1,675,000
The Bonds.....	<u>3,235,000</u>
Total.....	\$ 4,910,000

Estimated Overlapping Debt.....	<u>\$ 5,190,900 (c)</u>
Total Direct and Estimated Overlapping Debt .....	<u>\$10,100,900</u>

Direct Debt Ratios:

As a percentage of 2015 Assessed Valuation (\$48,506,080).....	10.12 %
As a percentage of Estimated Valuation as of December 1, 2015 (\$56,394,513).....	8.71 %

Direct and Estimated Overlapping Debt Ratios:

As a percentage of 2015 Assessed Valuation (\$48,506,080).....	20.82 %
As a percentage of Estimated Valuation as of December 1, 2015 (\$56,394,513).....	17.91 %

- 
- (a) Certified Taxable Assessed Value within the District as provided by the Fort Bend Central Appraisal District ("FBCAD").
  - (b) Provided by FBCAD for information purposes only. Reflects the addition of value of new construction within the District from January 1, 2015 to December 1, 2015. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
  - (c) See "-- Estimated Overlapping Debt Statement" below.

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**Estimated Overlapping Debt Statement**

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

Taxing Jurisdiction	Outstanding Debt as of December 31, 2015	Percent	Overlapping Amount
Fort Bend County	\$457,525,000	0.09%	\$ 399,930
Lamar CISD	748,580,000	0.41	3,040,068
City of Rosenberg	72,689,000	2.41	<u>1,750,902</u>
TOTAL ESTIMATED OVERLAPPING DEBT			\$5,190,900
Direct Debt			<u>4,910,000(a)</u>
TOTAL DIRECT & ESTIMATED OVERLAPPING DEBT			<u>\$10,100,900</u>

(a) Includes the Bonds.

**Debt Ratios**

	2015 Assessed Valuation	Estimated Valuation as of December 1, 2015
Direct Debt	10.12 %	8.71 %
Total Direct and Estimated Overlapping Debt	20.82 %	17.91 %

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**Debt Service Requirements**

The following schedule sets forth the principal and interest requirements on the Outstanding Bonds and the Bonds, assuming an estimated interest rate of 4.50% on the Bonds.

Calendar Year	Outstanding Debt Service	Plus: The Bonds		Total New Debt Service	Total Debt Service
		Principal	Interest		
2016			\$ 72,788	\$ 72,788	\$ 72,788
2017	\$ 143,698	\$ 45,000	145,575	190,575	334,273
2018	145,838	45,000	143,550	188,550	334,388
2019	147,758	45,000	141,525	186,525	334,283
2020	149,420	50,000	139,500	189,500	338,920
2021	145,820	50,000	137,250	187,250	333,070
2022	147,140	50,000	135,000	185,000	332,140
2023	153,188	50,000	132,750	182,750	335,938
2024	153,723	50,000	130,500	180,500	334,223
2025	153,973	55,000	128,250	183,250	337,223
2026	153,985	55,000	125,775	180,775	334,760
2027	153,760	55,000	123,300	178,300	332,060
2028	158,298	60,000	120,825	180,825	339,123
2029	157,360	60,000	118,125	178,125	335,485
2030	161,120	60,000	115,425	175,425	336,545
2031	159,400	60,000	112,725	172,725	332,125
2032	162,440	225,000	110,025	335,025	497,465
2033		235,000	99,900	334,900	334,900
2034		250,000	89,325	339,325	339,325
2035		260,000	78,075	338,075	338,075
2036		270,000	66,375	336,375	336,375
2037		280,000	54,225	334,225	334,225
2038		295,000	41,625	336,625	336,625
2039		310,000	28,350	338,350	338,350
2040		320,000	14,400	334,400	187,650
Total	<u>\$2,446,918</u>	<u>\$3,235,000</u>	<u>\$2,605,163</u>	<u>\$5,840,163</u>	<u>\$8,287,080</u>
Projected Average Annual Requirements - (2016-2040).....					\$331,483
Projected Maximum Annual Requirement - (2032) .....					\$497,465

**TAX DATA**

**General**

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Resolution to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an unlimited amount, for operation and maintenance purposes. The Board levied a 2015 tax rate of \$0.155 per \$100 of assessed valuation for operation and maintenance purposes and a debt service tax rate of \$0.725 per \$100 of assessed valuation.

**Tax Rate Limit**

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

**Debt Service Tax**

The Board covenants in the Bond Resolution to levy and assess, for each year that all of 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.

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

**Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District’s improvements, if such maintenance tax is authorized by vote of the District’s electors. On September 11, 2004, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$1.25 per \$100 of assessed valuation. The District levied a maintenance tax for 2015 at the rate of \$0.155 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District’s bonds.

**Tax Exemption**

As discussed in the section entitled “TAX PROCEDURES” herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation. Fort Bend County currently owns approximately 50.22 acres which is not subject to District taxation.

**Additional Penalties**

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish 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 June 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 Tax Code.

**Historical Tax Collections**

The following table illustrates the collection history of the District for the 2011-2015 tax years:

Tax Year	Certified Assessed Valuation	Tax Rate/ \$100 (a)	Adjusted Levy	% of Collections Current Year	Tax Year Ended 9/30	% of Collections as of 12/31/2015
2011	\$27,420,317	\$0.9000	\$246,784	99.59	2012	99.59
2012	29,984,857	0.9000	269,864	99.58	2013	99.61
2013	31,860,120	0.9000	286,741	99.63	2014	99.63
2014	38,076,903	0.9000	342,692	99.46	2015	99.66
2015	48,506,080	0.8800	426,854	63.07 (b)	2016	63.07(b)

(a) Includes a tax for maintenance and operation purposes. See “- Tax Rate Distribution” below.

(b) As of December 31, 2015.

**Tax Rate Distribution**

	2015	2014	2013	2012	2011
Debt Service	\$0.725	\$0.400	\$0.470	\$0.510	\$0.250
Maintenance	<u>0.155</u>	<u>0.500</u>	<u>0.430</u>	<u>0.390</u>	<u>0.650</u>
	<u>\$0.880</u>	<u>\$0.900</u>	<u>\$0.900</u>	<u>\$0.900</u>	<u>\$0.900</u>

**Analysis of Tax Base**

The following table illustrates the District’s total taxable assessed value for the 2011-2015 tax years by type of property.

Type of Property	2015 Assessed Valuation	2014 Assessed Valuation	2013 Assessed Valuation	2012 Assessed Valuation	2011 Assessed Valuation
Land	\$9,318,790	\$8,443,860	\$7,410,760	\$ 7,317,920	\$ 7,257,200
Improvements	40,175,870	30,133,570	24,668,600	22,784,000	20,334,800
Personal Property	285,090	306,220	306,780	399,030	329,740
Exemption	<u>(1,273,670)</u>	<u>(806,747)</u>	<u>(526,020)</u>	<u>(516,093)</u>	<u>(501,423)</u>
Total	\$48,506,080	\$38,076,903	\$31,860,120	\$29,984,857	\$27,420,317

**Principal Taxpayers**

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2015:

Taxpayer	Type of Property	Assessed Valuation 2015 Tax Roll
Centex Homes (a)	Land & Improvements	\$ 642,660
Homeowner	Land & Improvements	418,580
Homeowner	Land & Improvements	363,880
AMH 2014-1 Borrower LLC	Land & Improvements	264,310
Freo Texas LLC	Land & Improvements	247,530
Centerpoint Energy Electric	Personal Property	234,400
Homeowner	Land & Improvements	200,920
Homeowner	Land & Improvements	200,000
Homeowner	Land & Improvements	198,610
Prestige Development Group	Land	197,840
Total		<u>\$2,968,730</u>
Percentage of 2015 Assessed Valuation		<u>6.12%</u>

(a) See “THE DEVELOPERS.”

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Taxable Assessed Valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2015 Assessed Valuation (\$48,506,080) and the Estimated Valuation as of December 1, 2015 (\$56,394,513). The foregoing further assumes collection of 95% of taxes levied, no application of funds on hand, and the sale of no additional bonds:

Projected Average Annual Debt Service Requirements (2016-2040) .....	\$331,483
Tax Rate of \$0.72 on the 2015 Assessed Valuation produces .....	\$331,782
Tax Rate of \$0.62 on the Estimated Valuation as of December 1, 2015 produces ....	\$332,164
Projected Maximum Annual Debt Service Requirement (2032) .....	\$497,465
Tax Rate of \$1.08 on the 2015 Assessed Valuation produces .....	\$497,672
Tax Rate of \$0.93 on the Estimated Valuation as of December 1, 2015 produces ....	\$498,246

### Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2015 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

<u>Taxing Jurisdiction</u>	<u>2015 Tax Rate/ Per \$100 of A.V.</u>
The District	\$0.88000
Fort Bend County	0.48600
Lamar Consolidated Independent School District	1.39005
City of Rosenberg	<u>0.47000</u>
Estimated Total Tax Rate	<u>\$3.22605</u>

### TAXING PROCEDURES

#### Authority to Levy Taxes

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

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

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Fort Bend Central Appraisal District (the “Appraisal District” or “FBCAD”) has the responsibility 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 County Appraisal Review Board (the “Appraisal Review Board”). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

#### Property Subject to Taxation by the District

**General:** Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions (including the 50.22 acres owned by Fort Bend County), if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development

associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve the same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. For the 2015 tax year, the District has not granted an exemption for residents who are disabled or 65 and older.

***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 (20%) percent 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 District has never adopted a general homestead exemption.

***Freeport Goods and Goods-in-Transit 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 2015 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit 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 or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and/or the City and the District, at the option and discretion of each entity, may enter into tax

abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. As of September 1, 1999, each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, neither Fort Bend County nor the City have designated any part of the area within the District as a reinvestment zone.

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

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

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 that such property would bring if sold as a unit to a purchaser who would continue the business. 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 years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires the FBCAD to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the FBCAD at least once every three years. It is not known what frequency of reappraisal will be utilized by the FBCAD 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 FBCAD 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 FBCAD chooses formally to include such values on its appraisal roll.

### **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 of 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 FBCAD to compel compliance with the Property Tax Code.

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

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

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. 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 20% penalty for collection costs. A delinquent tax on personal property incurs an additional 20% penalty, 60 days after the date the taxes become delinquent (April 1). For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

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

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

### **District's Rights In The Event Of Tax Delinquencies**

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. 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 proceeding which restrict the collection of taxpayer debts. See "RISK FACTORS - General - Tax Collection and Foreclosure Remedies."

## **THE SYSTEM**

### **Regulation**

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

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

### **Description of the System**

#### *– Water Supply and Distribution –*

Water supply capacity for the District is provided by the City. Pursuant to the "Water Supply and Wastewater Services Contract" dated October 7, 2003, the City agrees to provide up to 830 equivalent single family connections

(“ESFC’s”) of water supply to the District. The contract states that an initial 500 ESFC’s of capacity will be provided and outlines conditions under which the remainder of the ESFC’s will be provided to the District. The District receives potable water from the City’s 12” trunk line located on the south side of U.S. Highway 59 at Bamore Road.

– *Wastewater* –

Wastewater treatment for the District is provided by the City pursuant to the “Water Supply and Wastewater Services Contract” dated October 7, 2003, which states that the City agrees to provide up to 830 ESFC’s of wastewater treatment capacity contingent upon the District’s compliance with the contract. The City’s wastewater treatment plant operates under TCEQ Permit No. WQ0010607002 and EPA Permit No. TX0024490.

– *Drainage* –

The undeveloped land located within the District currently drains naturally to Seabourne Creek by way of overland sheet flow. All roads within the District are drained by storm sewer systems and all pipe networks within the storm sewer system carry the storm water runoff to Seabourne Creek.

**Subsidence and Conversion to Surface Water Supply**

The District is within the boundaries of the Fort Bend Subsidence District (the “Subsidence District”), which regulates groundwater withdrawal. The City’s authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District’s jurisdiction, including the area within the District. The District is located within the Richmond/Rosenberg Sub Area of the Subsidence District’s jurisdiction. The deadline for a 30% reduction in groundwater withdrawals has been extended to 2015. The District has a Groundwater Reduction Plan Participation Agreement with the City of Rosenberg. The Cities of Rosenberg and Richmond formed the Rosenberg-Richmond Local Government Corporation to plan and implement a regional surface water utility system.

**Utility Agreement with the City**

The City provides water supply and wastewater services to the District, pursuant to that certain Water Supply and Wastewater Services Contract (the “Utility Agreement”) between the City of Rosenberg, Texas, and Terramark Holdings, L.C. (which has been assigned to Centex Homes, a subsidiary of PulteGroup, Inc.), dated as of October 7, 2003, as subsequently amended and assigned to the District.

Pursuant to the Utility Agreement, the District is responsible for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution, wastewater collection and drainage facilities to serve development occurring within the boundaries of the District (the “Facilities”) and the City agrees to provide water supply services and wastewater services to the District in consideration of the District’s financing, acquisition, and construction of the Facilities. Under the terms of the Utility Agreement, the District is deemed to be the alter ego of the City and as such the District agrees to act as the alter ego of the City for purposes of financing, constructing and acquiring the Facilities, and the City agrees to perform the duties and functions necessary to provide services to the landowners and customers of the District.

*The Facilities:* The Utility Agreement provides that the Facilities will be designed and constructed in accordance with the City’s requirements and criteria. The City agrees to provide the District with its ultimate requirements for water supply capacity and major offsite water distribution lines to the water source and wastewater treatment capacity and major offsite wastewater trunk collection line capacity to the wastewater treatment plant.

*Authority of District to Issue Bonds:* The District has the authority to issue, sell, and deliver bonds as permitted by law and the City’s Procedures for the Creation of In-City Municipal Utility Districts. Bonds issued by the District are obligations solely of the District and shall not be constructed to be obligations or indebtedness of the City.

*Ownership, Operation, and Maintenance of the Facilities:* Upon completion of construction of the Facilities, the District agrees to convey the Facilities (other than storm water detention systems) to the City, reserving for itself a security interest in the Facilities for the purpose of securing the performance of the City under the Utility Agreement. Pursuant to the terms of the Utility Agreement, storm water detention ponds and systems are to be operated and maintained by the homeowners association(s) within the District, although the District retains title to same. When all bonds issued by the District to acquire and construct the Facilities have been issued and

subsequently paid or redeemed and discharged in full, the District agrees to execute a release of the security interest retained by the District and the City shall own the Facilities without encumbrance. As each phase of the Facilities is completed, the City agrees to inspect the same and upon approval will accept the Facilities for operation and maintenance. The Facilities will be operated and maintained by the City at its sole cost and expense. If the City determines that the Facilities or any portion thereof have not been constructed in accordance with approved plans and specifications prior to accepting such Facilities, the City agrees to notify the District, and the District shall immediately correct any deficiency noted by the City.

*Rates for Service:* The City agrees to bill and collect from customers of the District such rates and charges for such customers as the City, in its sole discretion, determines are necessary, provided that the rates and charges will be equal and uniform to those charged to other similar users outside the District within the City. The City may impose a charge for connection to the water supply portion of the Facilities at a rate determined by the City so long as that charge is equal to sums charged to other comparable users within the City.

*Annual Payment:* The City has agreed to make an annual payment to the District (herein the “Annual Payment”) to rebate the City Drainage Tax Rate in accordance with a formula set forth in the Utility Agreement. The Annual Payment will begin on February in the calendar year for which the District initially receives a tax roll from the Fort Bend Central Appraisal District and shall be payable each February 1 thereafter.

### Historical Operations of the System

The following is a summary of the District’s Operating Fund for the last 5 years. The figures for the fiscal years ended September 30, 2011 through September 30, 2014, were obtained from the District’s audited financial statements, reference to which is hereby made. The District is required by statute to have a certified public audit its financial statements annually, which audit is to be filed with the TCEQ.

	Fiscal Year Ended September 30,				
	2015(a)	2014	2013	2012	2011
<b>Revenues</b>					
Property taxes	\$189,348	\$136,564	\$116,447	\$177,523	\$172,771
Investment Earnings	156	61	252	228	156
<b>Total</b>	<b>\$189,504</b>	<b>\$136,625</b>	<b>\$116,699</b>	<b>\$177,751</b>	<b>\$172,927</b>
<b>Expenditures</b>					
Professional Fees	\$ 62,213	\$ 56,003	\$ 41,325	\$ 42,884	\$ 52,652
Contracted Services	8,325	8,400	8,400	8,400	8,370
Administrative	10,406	9,822	6,390	12,370	10,661
Capital Outlay	---	112,706	---	---	86,077
Interest	---	13,371	---	---	8,423
<b>Total</b>	<b>\$80,944</b>	<b>\$200,302</b>	<b>\$56,115</b>	<b>\$ 63,654</b>	<b>\$166,183</b>
<b>NET REVENUES (Deficit)</b>	<b>\$108,560</b>	<b>(\$63,677)</b>	<b>\$60,584</b>	<b>\$114,097</b>	<b>\$ 6,744</b>

(a) Unaudited. Information obtained from the District’s bookkeeper.

## LEGAL MATTERS

### Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied, without legal 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 interest on the Bonds is excludable from gross income of the holders for federal tax purposes under existing law, and interest on the Bonds will not be subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations.

Bond Counsel has reviewed the information appearing in this Official Statement under the caption "THE DISTRICT - General," "THE BONDS," "TAXING PROCEDURES," "LEGAL MATTERS – Legal Opinions," "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 or the developers 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.

### No-Litigation Certificate

The District will furnish the Underwriter a certificate, dated of the date of delivery of the Bonds, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is to their knowledge then pending or threatened, either in state or federal courts, contesting or attaching the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds.

### No Material Adverse Change

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

## TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations.

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 proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment 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 Bond Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond 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. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations 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.

The Code also imposes a twenty percent (20%) alternative minimum tax on the "alternative minimum taxable income" of a corporation, if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than an S corporation, regulated investment company, REIT, REMIC or FASIT) includes seventy-five percent (75%) of the amount by which a corporation's "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

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 IRS. 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 receipt or accrual of interest on, or acquisition, ownership, 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, individuals owning an interest in a FASIT that holds tax-exempt obligations, and taxpayers 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 thereof. 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 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 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 an owner who has purchased such Original Issue Discount Bond 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 Original Issue Discount 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 an 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 discussion assumes, in reliance upon certain representations of the Underwriter, that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (b) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions. Certain of the representations of the Underwriter will be based upon records or facts the Underwriter had no reason to believe were not correct.

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 date 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 Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the 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 and 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 that 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 Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount 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 2016 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 2016.

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

#### **CONTINUING DISCLOSURE OF INFORMATION**

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the District’s continuing disclosure obligations because the District has not issued more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the “MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system.

#### **Annual Reports**

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

The financial information and operating data which will be provided with respect to the District is found in the APPENDIX A (the District’s Audited Financial Statements). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years. Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available. The District’s current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

*[Remainder of Page Intentionally Left Blank]*

## **Material Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

## **Availability of Information from MSRB**

The District has agreed to provide the foregoing information only to the MSRB. The information will be available to holders of Bonds at [www.emma.msrb.org](http://www.emma.msrb.org).

## **Limitations and Amendments**

The District has agreed to update information and to provide notices of material 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 and 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 to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent 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 beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. 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**

The District has complied in all material respects with all disclosure agreements in accordance with SEC Rule 15c2-12.

## **OFFICIAL STATEMENT**

### **General**

The information contained in this Official Statement has been obtained primarily from the District's records, the District Engineer, the Tax Assessor/Collector, the Fort Bend County Appraisal District and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, orders and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

### **Experts**

Bond Counsel has reviewed the information appearing in this Official Statement under the captions "THE BONDS," "TAXING PROCEDURES," "THE DISTRICT – General," "LEGAL MATTERS – Legal Opinions," "TAX-EXEMPTION," "TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT," "QUALIFIED TAX-EXEMPT OBLIGATIONS," and "CONTINUING DISCLOSURE OF INFORMATION." Bond Counsel has reviewed the information under the aforementioned sections solely to determine whether such information fairly summarizes the law or documents referred to in such sections. Bond Counsel has not independently verified other factual information contained in this Official Statement or 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 the limited participation of such firm as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein. The information contained in this Official Statement relating to engineering and to the description of the System generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT" and "THE SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering. The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations, analysis of the tax base and percentages of tax collections contained in the sections captioned "TAX DATA" has been provided by the Fort Bend County Appraisal District and the District's Tax Assessor/Collector, and has been included herein in reliance upon the authority of such parties as experts in the field of tax assessing and collecting.

### **Updating the Official Statement During Underwriting Period**

If, subsequent to the date of the Official Statement to and including the date the Underwriter is no longer required to provide an Official Statement to potential customers who request the same pursuant to Rule 15c2-12 of the federal Securities Exchange Act of 1934 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Underwriter of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Underwriter a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Underwriter, unless the Underwriter elects to terminate its obligation to purchase the Bonds as described below. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Underwriter (the "end of the underwriting period" within the meaning of the Rule), unless the Underwriter provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Underwriter provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Underwriter agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

**Certification as to Official Statement**

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

**Official Statement “Deemed Final”**

For purposes of compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the District from time-to-time, may be treated as an Official Statement with respect to the Bonds described herein “deemed final” by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a “FINAL OFFICIAL STATEMENT” of the District with respect to the Bonds, as that term is defined in Rule 15c2-12.

**Concluding Statement**

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

This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility No. 148, as of the date shown on the first page hereof.

/s/ \_\_\_\_\_  
Scott Pleus  
President, Board of Directors  
Fort Bend County Municipal Utility District No. 148

ATTEST:

/s/ \_\_\_\_\_  
Ryan Newton  
Secretary, Board of Directors  
Fort Bend County Municipal Utility District No. 148

Exhibit A

**APPENDIX A  
FINANCIAL STATEMENTS OF THE DISTRICT**

**FORT BEND COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 148**

**FORT BEND COUNTY, TEXAS**

**FINANCIAL REPORT**

**September 30, 2014**

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## **Independent Auditors' Report**

Board of Directors  
Fort Bend County Municipal Utility District No. 148  
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. 148, as of and for the year ended September 30, 2014, which collectively comprise the basic financial statements as listed in the table of contents, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Board of Directors  
Fort Bend County Municipal Utility District No. 148  
Fort Bend County, Texas**

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major of Fort Bend County Municipal Utility District No. 148, as of September 30, 2014, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other-Matters**

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

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

*McGuire & Co, P.C.*

Houston, Texas  
February 6, 2015

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

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**Fort Bend County Municipal Utility District No. 148  
Management's Discussion and Analysis  
September 30, 2014**

**Using this Annual Report**

Within this section of the financial report of Fort Bend County Municipal Utility District No. 148 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2014. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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

**Fort Bend County Municipal Utility District No. 148  
Management's Discussion and Analysis  
September 30, 2014**

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

**Fund Financial Statements**

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

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

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

The District's net position at September 30, 2014, was negative \$4,606,694. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities which it conveys to the City of Rosenberg. A comparative summary of the District's overall financial position, as of September 30, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 322,673	\$ 409,678
Capital assets	19,419	20,260
Total assets	<u>342,092</u>	<u>429,938</u>
Current liabilities	72,562	75,170
Long-term liabilities	4,876,224	4,824,467
Total liabilities	<u>4,948,786</u>	<u>4,899,637</u>
Net position		
Net investment in capital assets	(9,883)	(10,208)
Restricted	115,956	113,231
Unrestricted	(4,712,767)	(4,572,722)
Total net position	<u>\$ (4,606,694)</u>	<u>\$ (4,469,699)</u>

**Fort Bend County Municipal Utility District No. 148**  
**Management's Discussion and Analysis**  
**September 30, 2014**

The total net position of the District decreased by \$136,995. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2014</u>	<u>2013</u>
Revenues		
Property taxes, penalties and interest	\$ 289,038	\$ 271,707
Other	2,406	2,474
Total revenues	<u>291,444</u>	<u>274,181</u>
Expenses		
Operating and administrative	81,394	63,167
Interest and fees	100,266	89,071
Amortization	841	841
Total expenses	<u>182,501</u>	<u>153,079</u>
Change in net position before other item	108,943	121,102
Other Item		
Transfers to other governments	<u>(245,938)</u>	<u>(129,487)</u>
Change in net position	(136,995)	(8,385)
Net position, beginning of year	<u>(4,469,699)</u>	<u>(4,461,314)</u>
Net position, end of year	<u><u>\$ (4,606,694)</u></u>	<u><u>\$ (4,469,699)</u></u>

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

The District's combined fund balances, as of September 30, 2014, were \$312,724, which consists of \$192,449 in the General Fund and \$120,275 in the Debt Service Fund.

*General Fund*

Comparative summaries of the General Fund's financial position and activities for the current and prior fiscal year are as follows:

	<u>2014</u>	<u>2013</u>
Total assets	<u>\$ 199,692</u>	<u>\$ 289,685</u>
Total liabilities	\$ 5,537	\$ 8,408
Total deferred inflows	1,706	1,228
Total fund balance	<u>192,449</u>	<u>280,049</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 199,692</u>	<u>\$ 289,685</u>
Total revenues	\$ 136,625	\$ 116,699
Total expenditures	<u>(200,302)</u>	<u>(56,115)</u>
Revenues over/(under) expenditures	\$ (63,677)	\$ 60,584
Total other financing use	<u>(23,923)</u>	<u></u>
Net change in fund balance	<u><u>\$ (87,600)</u></u>	<u><u>\$ 60,584</u></u>

**Fort Bend County Municipal Utility District No. 148  
Management's Discussion and Analysis  
September 30, 2014**

The District manages its activities with the objective of ensuring that expenditures will be adequately covered by revenues, which normally results in an increase in fund balance; however, during the current year, the District used surplus funds to reimburse its developer. As a result, fund balance in the General Fund for the current year has decreased. The District has sufficient fund balance to absorb the deficit.

**Debt Service Fund**

Comparative summaries of the financial position and activities of the Debt Service Fund for the current and prior fiscal year are as follows:

	2014	2013
Total assets	<u>\$ 122,981</u>	<u>\$ 119,993</u>
Total liabilities	\$ 263	\$ -
Total deferred inflows	2,443	928
Total fund balance	120,275	119,065
Total liabilities, deferred inflows and fund balance	<u>\$ 122,981</u>	<u>\$ 119,993</u>
Total revenues	\$ 152,827	\$ 156,343
Total expenditures	(151,617)	(148,865)
Revenues over expenditures	<u>\$ 1,210</u>	<u>\$ 7,478</u>

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

**General Fund Budgetary Highlights**

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$144,390 less than budgeted. The *Budgetary Comparison Schedule* on page 28 of this report provides variance information per financial statement line item.

**Fort Bend County Municipal Utility District No. 148  
Management's Discussion and Analysis  
September 30, 2014**

**Capital Assets**

Capital assets held by the District at September 30, 2014 and 2013 are summarized as follows:

	<u>2014</u>	<u>2013</u>
Capital assets being amortized		
Impact fees	\$ 27,741	\$ 27,741
Less accumulated amortization	<u>(8,322)</u>	<u>(7,481)</u>
Capital assets, net	<u>\$ 19,419</u>	<u>\$ 20,260</u>

The District and the City of Rosenberg (the "City") have entered into an agreement which obligates the District to construct water, wastewater and storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. For the year ended September 30, 2014, capital assets in the amount of \$245,938 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

As discussed in Note 6, the District has contractual commitments in the amount of \$370,387 for construction of water, sewer, drainage, recreational and road facilities. The District will owe its developer for these projects upon completion of construction.

**Long-Term Debt**

At September 30, 2014 and 2013, the District had total bonded debt outstanding as shown below:

<u>Series</u>	<u>2014</u>	<u>2013</u>
2007	\$ 1,735,000	\$ 1,795,000

At September 30, 2014, the District had \$29,160,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$3,000,000 for parks and recreational facilities and \$31,200,000 for refunding purposes.

**Fort Bend County Municipal Utility District No. 148  
Management's Discussion and Analysis  
September 30, 2014**

**Next Year's Budget**

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

	<u>2014 Actual</u>	<u>2015 Budget</u>
Total revenues	\$ 136,625	\$ 160,890
Total expenditures	<u>(200,302)</u>	<u>(72,250)</u>
Revenues over/(under) expenditures	(63,677)	88,640
Total other financing uses	<u>(23,923)</u>	
Net change in fund balance	(87,600)	88,640
Beginning fund balance	280,049	192,449
Ending fund balance	<u>\$ 192,449</u>	<u>\$ 281,089</u>

**Property Taxes**

The District's property tax base increased approximately \$6,106,000 for the 2014 tax year from \$31,870,120 to \$37,976,383. This increase was primarily due to new construction in the District and increased property values. For the 2014 tax year, the District has levied a maintenance tax rate of \$0.43 per \$100 of assessed value and a debt service tax rate of \$0.47 per \$100 of assessed value, for a total combined tax rate of \$0.90 per \$100. These are the same rates levied for the 2013 tax year.

## **Basic Financial Statements**

**Fort Bend County Municipal Utility District No. 148**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**September 30, 2014**

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>					
Cash	\$ 10,955	\$ 30,789	\$ 41,744	\$ -	\$ 41,744
Investments	186,200	90,006	276,206		276,206
Taxes receivable	1,706	2,443	4,149		4,149
Internal balances	831	(831)			
Other receivables		574	574		574
Capital assets, net				19,419	19,419
<b>Total Assets</b>	<b>\$ 199,692</b>	<b>\$ 122,981</b>	<b>\$ 322,673</b>	<b>19,419</b>	<b>342,092</b>
<b>Liabilities</b>					
Accounts payable	\$ 5,101	\$ -	\$ 5,101		5,101
Other payables	436	263	699		699
Accrued interest payable				6,762	6,762
Due to developer				3,242,840	3,242,840
Long-term debt					
Due within one year				60,000	60,000
Due after one year				1,633,384	1,633,384
<b>Total Liabilities</b>	<b>5,537</b>	<b>263</b>	<b>5,800</b>	<b>4,942,986</b>	<b>4,948,786</b>
<b>Deferred Inflows of Resources</b>					
Deferred property taxes	1,706	2,443	4,149	(4,149)	
<b>Fund Balances/Net Position</b>					
<b>Fund Balances</b>					
Restricted		120,275	120,275	(120,275)	
Unassigned	192,449		192,449	(192,449)	
<b>Total Fund Balances</b>	<b>192,449</b>	<b>120,275</b>	<b>312,724</b>	<b>(312,724)</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 199,692</b>	<b>\$ 122,981</b>	<b>\$ 322,673</b>		
<b>Net Position</b>					
Net investment in capital assets				(9,883)	(9,883)
Restricted for debt service				115,956	115,956
Unrestricted				(4,712,767)	(4,712,767)
<b>Total Net Position</b>				<b>\$ (4,606,694)</b>	<b>\$ (4,606,694)</b>

See notes to basic financial statements.

**Fort Bend County Municipal Utility District No. 148**  
**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended September 30, 2014**

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>					
Property taxes	\$ 136,564	\$ 149,275	\$ 285,839	\$ 992	\$ 286,831
Penalties and interest		1,207	1,207	1,000	2,207
City of Rosenberg tax rebates		2,232	2,232		2,232
Investment earnings	61	113	174		174
<b>Total Revenues</b>	<b>136,625</b>	<b>152,827</b>	<b>289,452</b>	<b>1,992</b>	<b>291,444</b>
<b>Expenditures/Expenses</b>					
Operating and administrative					
Professional fees	56,003		56,003		56,003
Contracted services	8,400	6,313	14,713		14,713
Administrative	9,822	856	10,678		10,678
Capital outlay	112,706		112,706	(112,706)	
Debt service					
Principal		60,000	60,000	(60,000)	
Interest and fees	13,371	84,448	97,819	2,447	100,266
Amortization				841	841
<b>Total Expenditures/Expenses</b>	<b>200,302</b>	<b>151,617</b>	<b>351,919</b>	<b>(169,418)</b>	<b>182,501</b>
<b>Revenues Over/(Under)</b>					
<b>Expenditures/Expenses</b>	(63,677)	1,210	(62,467)	171,410	108,943
<b>Other Financing Use</b>					
Repayment of developer advances	(23,923)		(23,923)	23,923	
<b>Other Item</b>					
Transfers to other governments				(245,938)	(245,938)
<b>Net Change in Fund Balances</b>	(87,600)	1,210	(86,390)	86,390	
<b>Change in Net Position</b>				(136,995)	(136,995)
Fund Balance/Net Position					
Beginning of the year	280,049	119,065	399,114	(4,868,813)	(4,469,699)
<b>End of the year</b>	<b>\$ 192,449</b>	<b>\$ 120,275</b>	<b>\$ 312,724</b>	<b>\$ (4,919,418)</b>	<b>\$ (4,606,694)</b>

See notes to basic financial statements.

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**Fort Bend County Municipal Utility District No. 148**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

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

The accounting policies of Fort Bend County Municipal Utility District No. 148 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

**Creation**

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated July 12, 2004, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on July 12, 2004 and the first bonds were sold on July 10, 2007.

The District’s primary activities include the construction of water, sewer and drainage facilities. As further discussed in Note 10, the District transfers these facilities to the City of Rosenberg upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

**Reporting Entity**

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

**Government-Wide and Fund Financial Statements**

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

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

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

**Government-Wide and Fund Financial Statements (continued)**

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

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.

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

**Measurement Focus and Basis of Accounting**

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

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

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

**Use of Restricted Resources**

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

**Fort Bend County Municipal Utility District No. 148**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

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

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At September 30, 2014, an allowance for uncollectible accounts was not considered necessary.

**Interfund Activity**

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

**Capital Assets**

Capital assets, which consist of impact fees paid to the City of Rosenberg, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. The District has not capitalized interest incurred during the construction of its capital assets.

Impact fees are amortized over the remaining life of the District's contract with the City of Rosenberg using the straight-line method.

**Deferred Inflows and Outflows of Financial Resources**

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period.

The District's deferred inflows of financial resources at the fund level are from the property tax levy. These amounts are receivable as of the end of the fiscal year, but do not meet the availability criteria required for revenue recognition at the fund level.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

**Fort Bend County Municipal Utility District No. 148**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

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

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

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of property taxes levied for debt service in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts in the General Fund.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

**Use of Estimates**

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

**Fort Bend County Municipal Utility District No. 148**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

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

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

Total fund balance, governmental funds		\$ 312,724
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 27,741	
Less accumulated amortization	<u>(8,322)</u>	
Change due to capital assets		19,419
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		(3,242,840)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net	(1,693,384)	
Interest payable on bonds	<u>(6,762)</u>	
Change due to long-term debt		(1,700,146)
Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		4,149
Total net position - governmental activities		<u><u>\$ (4,606,694)</u></u>

**Fort Bend County Municipal Utility District No. 148**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

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

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

Net change in fund balances - total governmental funds \$ (86,390)

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned.

Property taxes	\$ 992	
Penalties and interest	1,000	
		1,992

Governmental funds report capital outlays for developer reimbursements as expenditures in the funds; however, in the *Statement of Activities*, impact fees paid to the City of Rosenberg are capitalized and charged to expense over the remaining life of the contract. Other assets are recorded as transfers to other governments.

Capital outlays	112,706	
Transfers to other governments	(245,938)	
Amortization expense	(841)	
		(134,073)

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

Principal payments	60,000	
Interest expense accrual	(2,447)	
		57,553

Amounts repaid to the District's developers for operating advances use financial resources at the fund level, but reduce the liability in the *Statement of Net Position*.

23,923

Change in net position of governmental activities		\$ <u>(136,995)</u>
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**Fort Bend County Municipal Utility District No. 148**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

**Note 3 - Deposits and Investments**

**Deposit Custodial Credit Risk**

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

**Investments**

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of September 30, 2014, the District's investments consist of the following:

<u>Type</u>	<u>Fund</u>	<u>Carrying Value</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
TexPool	General	\$ 186,200		
	Debt Service	90,006		
Total		<u>\$ 276,206</u>	AAAm	76 days

**Fort Bend County Municipal Utility District No. 148**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

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

**TexPool**

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price. Accordingly, the fair value of the District’s position in TexPool is the same as the value of TexPool shares.

**Investment Credit and Interest Rate Risk**

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

**Note 4 – Amounts Due to/from Other Funds**

Amounts due to/from other funds at September 30, 2014, consist of the following:

	Interfund	
	Receivable	Payable
General Fund	\$ 831	\$ -
Debt Service Fund		831
	<u>\$ 831</u>	<u>\$ 831</u>

Amounts reported as due to/from between funds are considered temporary loans needed for normal operations and will be repaid during the following fiscal year.

**Fort Bend County Municipal Utility District No. 148**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended September 30, 2014, follows:

	Beginning Balances	Additions	Ending Balances
Capital assets being amortized			
Impact fees	\$ 27,741	\$ -	\$ 27,741
Less accumulated amortization	(7,481)	(841)	(8,322)
Capital assets, net	<u>\$ 20,260</u>	<u>\$ (841)</u>	<u>\$ 19,419</u>

Amortization expense for the current year was \$841.

**Note 6 – Due to Developer**

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer and drainage facilities. Under the agreements, the developer will advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ. The District does not record the capital asset and related liability on the government wide statements until construction of the facilities is complete.

The District's developer has also advanced funds to the District for operating expenses.

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

Due to developer, beginning of year	\$ 3,133,531
Developer reimbursements	(112,706)
New developer funded construction	245,938
Repayment of developer advances	(23,923)
Due to developer, end of year	<u>\$ 3,242,840</u>

In addition, the District will owe the developer approximately \$370,387, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and audited by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Cottonwood, Section 3B - water, sewer and drainage	\$ 370,387	\$ -	\$ 370,387

**Fort Bend County Municipal Utility District No. 148**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

**Note 7 - Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 1,735,000
Unamortized discounts	(41,616)
	<u>\$ 1,693,384</u>
 Due within one year	 <u>\$ 60,000</u>

The District's bonds payable at September 30, 2014, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2007	\$ 1,735,000	\$ 2,040,000	4.00% to 4.80%	September 1, 2009/2031	March 1, September 1	September 1, 2016

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

At September 30, 2014, the District had authorized but unissued bonds in the amount of \$29,160,000 for water, sewer and drainage facilities; \$3,000,000 for park and recreational facilities; and \$31,200,000 for refunding purposes.

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

Bonds payable, beginning of year	\$ 1,795,000
Bonds retired	(60,000)
Bonds payable, end of year	<u>\$ 1,735,000</u>

**Fort Bend County Municipal Utility District No. 148**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

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

As of September 30, 2014, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2015	\$ 60,000	\$ 81,338	\$ 141,338
2016	65,000	78,698	143,698
2017	70,000	75,838	145,838
2018	75,000	72,758	147,758
2019	80,000	69,420	149,420
2020	80,000	65,820	145,820
2021	85,000	62,140	147,140
2022	95,000	58,188	153,188
2023	100,000	53,723	153,723
2024	105,000	48,973	153,973
2025	110,000	43,985	153,985
2026	115,000	38,760	153,760
2027	125,000	33,298	158,298
2028	130,000	27,360	157,360
2029	140,000	21,120	161,120
2030	145,000	14,400	159,400
2031	155,000	7,440	162,440
	<u>\$ 1,735,000</u>	<u>\$ 853,259</u>	<u>\$ 2,588,259</u>

**Note 8 - Property Taxes**

On September 11, 2004, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$1.25 per \$100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Fort Bend Central Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District's 2014 fiscal year was financed through the 2013 tax levy, pursuant to which the District levied property taxes of \$0.90 per \$100 of assessed value, of which \$0.43 was allocated to maintenance and operations and \$0.47 was allocated to debt service. The resulting tax levy was \$286,831 on the adjusted taxable value of \$31,870,120.

**Fort Bend County Municipal Utility District No. 148**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

**Note 8 – Property Taxes (continued)**

Total property taxes receivable, at September 30, 2014, consisted of the following:

Current year taxes receivable	\$ 1,074
Prior years taxes receivable	<u>2,075</u>
	3,149
Penalty and interest receivable	<u>1,000</u>
Total property taxes receivable	<u><u>\$ 4,149</u></u>

**Note 9 – Transfers to Other Governments**

In accordance with an agreement between the District and the City of Rosenberg (the “City”), the District transfers all of its water, sewer and drainage facilities to the City (see Note 10). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. For the year ended September 30, 2014, the total amount of projects completed and transferred to the City was \$245,938.

**Note 10 – Utility Agreement with the City of Rosenberg**

The District lies wholly within the corporate limits of the City of Rosenberg (the “City”). The City provides water and wastewater services to the District pursuant to the Water Supply and Wastewater Services Contract (the “contract”) executed between the City and the District’s developer dated October 7, 2003, as subsequently amended and assigned to the District. Under the terms of the Contract, the District is obligated to construct the water, wastewater and drainage systems to serve the District, and upon completion, to convey all facilities (other than storm water detention facilities) to the City. These facilities are operated and maintained by the City at its sole expense. The City shall rebate revenues generated from the City Drainage Tax Rate to the District. During the fiscal year the District received \$2,232 in rebates from the City.

**Note 11 – Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**Required Supplementary Information**

**Fort Bend County Municipal Utility District No. 148**  
**Required Supplementary Information - Budgetary Comparison Schedule - General Fund**  
**For the Year Ended September 30, 2014**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Property taxes	\$ 134,800	\$ 136,564	\$ 1,764
Investment earnings	240	61	(179)
Total Revenues	<u>135,040</u>	<u>136,625</u>	<u>1,585</u>
<b>Expenditures</b>			
Operating and administrative			
Professional fees	51,650	56,003	(4,353)
Contracted services	8,600	8,400	200
Administrative	18,000	9,822	8,178
Capital outlay		112,706	(112,706)
Interest		13,371	(13,371)
Total Expenditures	<u>78,250</u>	<u>200,302</u>	<u>(122,052)</u>
<b>Revenues Over/(Under) Expenditures</b>	56,790	(63,677)	(120,467)
<b>Other Financing Use</b>			
Repayment of developer advances		(23,923)	(23,923)
<b>Net Change in Fund Balance</b>	56,790	(87,600)	(144,390)
<b>Fund Balance</b>			
Beginning of the year	280,049	280,049	
End of the year	<u>\$ 336,839</u>	<u>\$ 192,449</u>	<u>\$ (144,390)</u>

***Fort Bend County Municipal Utility District No. 148  
Notes to Required Supplementary Information  
September 30, 2014***

**Budgets and Budgetary Accounting**

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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**Texas Supplementary Information**

**Fort Bend County Municipal Utility District No. 148**  
**TSI-1. Services and Rates**  
**September 30, 2014**

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

- |   |   |  |                                     |
|---|---|--|-------------------------------------|
| <input type="checkbox"/> Retail Water   | <input type="checkbox"/> Wholesale Water      | <input type="checkbox"/> Solid Waste / Garbage | <input type="checkbox"/> Drainage   |
| <input type="checkbox"/> Retail Wastewater  | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control         | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks / Recreation  | <input type="checkbox"/> Fire Protection      | <input type="checkbox"/> Roads                 | <input type="checkbox"/> Security   |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) |   |  |                                     |
| <input checked="" type="checkbox"/> Other (Specify): <u>Water and wastewater services supplied by the City of Rosenberg</u>           |   |  |                                     |

2. Retail Service Providers

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

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \_\_\_\_\_ Wastewater \_\_\_\_\_

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
Unmetered less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 1.0	_____
1.5"	_____	_____	x 2.5	_____
2"	_____	_____	x 5.0	_____
3"	_____	_____	x 8.0	_____
4"	_____	_____	x 15.0	_____
6"	_____	_____	x 25.0	_____
8"	_____	_____	x 50.0	_____
10"	_____	_____	x 80.0	_____
	_____	_____	x 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.

**Fort Bend County Municipal Utility District No. 148**  
**TSI-1. Services and Rates**  
**September 30, 2014**

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

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

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

Does the District have Debt Service standby fees? Yes  No

If yes, Date of the most recent commission Order: \_\_\_\_\_

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

If yes, Date of the most recent commission Order: \_\_\_\_\_

5. Location of District (required for first audit year or when information changes,  
 otherwise this information may be omitted):

Is the District located entirely within one county? Yes  No

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

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

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

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

ETJs in which the District is located: \_\_\_\_\_

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

If Yes, by whom? \_\_\_\_\_

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 148**  
**TSI-2 General Fund Expenditures**  
**For the Year Ended September 30, 2014**

Professional fees		
Legal	\$	38,352
Audit		10,150
Engineering		7,501
		<u>56,003</u>
Contracted services		
Bookkeeping		<u>8,400</u>
Administrative		
Directors fees		4,350
Printing and office supplies		780
Insurance		3,716
Other		976
		<u>9,822</u>
Capital outlay		<u>112,706</u>
Interest		<u>13,371</u>
Total expenditures	\$	<u><u>200,302</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	N/A	N/A
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 148**  
**TSI-3. Investments**  
**September 30, 2014**

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General				
TexPool	7902600001	Variable	N/A	<u>\$ 186,200</u>
Debt Service				
TexPool	7902600003	Variable	N/A	<u>90,006</u>
Total - All Funds				<u><u>\$ 276,206</u></u>

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 148**  
**TSI-4. Taxes Levied and Receivable**  
**September 30, 2014**

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 1,228	\$ 928	\$ 2,156	
2013 Original Tax Levy	130,340	142,465	272,805	
Adjustments	6,701	7,325	14,026	
Adjusted Tax Levy	137,041	149,790	286,831	
Total to be accounted for	138,269	150,718	288,987	
Tax collections:				
Current year	136,529	149,229	285,758	
Prior years	34	46	80	
Total Collections	136,563	149,275	285,838	
Taxes Receivable, End of Year	\$ 1,706	\$ 1,443	\$ 3,149	
Taxes Receivable, By Years				
2013	\$ 513	\$ 561	\$ 1,074	
2012	458	599	1,057	
2011	735	283	1,018	
Taxes Receivable, End of Year	\$ 1,706	\$ 1,443	\$ 3,149	
	2013	2012	2011	2010
Property Valuations:				
Land	\$ 7,410,760	\$ 7,317,920	\$ 7,257,200	\$ 6,817,250
Improvements	24,668,600	22,784,000	20,334,800	19,841,480
Personal Property	306,780	399,030	329,740	350,100
Exemptions	(516,020)	(516,093)	(501,423)	(564,473)
Total Property Valuations	\$ 31,870,120	\$ 29,984,857	\$ 27,420,317	\$ 26,444,357
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.43	\$ 0.39	\$ 0.65	\$ 0.65
Debt service tax rates	0.47	0.51	0.25	0.25
Total Tax Rates per \$100 Valuation	\$ 0.90	\$ 0.90	\$ 0.90	\$ 0.90
Adjusted Tax Levy:	\$ 286,831	\$ 269,864	\$ 246,783	\$ 237,999
Percentage of Taxes Collected to Taxes Levied **	99.63%	99.61%	99.59%	100.00%

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.25 on September 11, 2004

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

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 148**  
**TSI-5. Long-Term Debt Service Requirements**  
**Series 2007--by Years**  
**September 30, 2014**

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2015	\$ 60,000	\$ 81,338	\$ 141,338
2016	65,000	78,698	143,698
2017	70,000	75,838	145,838
2018	75,000	72,758	147,758
2019	80,000	69,420	149,420
2020	80,000	65,820	145,820
2021	85,000	62,140	147,140
2022	95,000	58,188	153,188
2023	100,000	53,723	153,723
2024	105,000	48,973	153,973
2025	110,000	43,985	153,985
2026	115,000	38,760	153,760
2027	125,000	33,298	158,298
2028	130,000	27,360	157,360
2029	140,000	21,120	161,120
2030	145,000	14,400	159,400
2031	155,000	7,440	162,440
	<u>\$ 1,735,000</u>	<u>\$ 853,259</u>	<u>\$ 2,588,259</u>

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 148**  
**TSI-6. Change in Long-Term Bonded Debt**  
**September 30, 2014**

	<u>Bond Issue</u> <u>Series 2007</u>
Interest rate	4.00% to 4.80%
Dates interest payable	3/1; 9/1
Maturity dates	9/1/09 - 9/1/31
Beginning bonds outstanding	\$ 1,795,000
Bonds retired	<u>(60,000)</u>
Ending bonds outstanding	<u>\$ 1,735,000</u>
Interest paid during fiscal year	<u>\$ 83,948</u>

Paying agent's name and city  
 Series 2007

Wells Fargo Bank, N.A.

Bond Authority:	<u>Water, Sewer and Drainage Bonds</u>	<u>Park Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 31,200,000	\$ 3,000,000	\$ 31,200,000
Amount Issued	<u>(2,040,000)</u>		
Remaining To Be Issued	<u>\$ 29,160,000</u>	<u>\$ 3,000,000</u>	<u>\$ 31,200,000</u>

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

Debt Service Fund cash and temporary investments balances as of September 30, 2014: \$ 120,795

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 152,251

See accompanying auditors' report.

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**Fort Bend County Municipal Utility District No. 148**  
**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund**  
**For the Last Five Fiscal Years**

	Amounts				
	2014	2013	2012	2011	2010
<b>Revenues</b>					
Property taxes	\$ 136,564	\$ 116,447	\$ 177,523	\$ 172,771	\$ 82,310
Investment earnings	61	252	228	156	179
<b>Total Revenues</b>	<b>136,625</b>	<b>116,699</b>	<b>177,751</b>	<b>172,927</b>	<b>82,489</b>
<b>Expenditures</b>					
<b>Operating and administrative</b>					
Professional fees	56,003	41,325	42,884	52,652	31,421
Contracted services	8,400	8,400	8,400	8,370	8,370
Administrative	9,822	6,390	12,370	10,661	10,639
Capital outlay	112,706			86,077	
Interest	13,371			8,423	
<b>Total Expenditures</b>	<b>200,302</b>	<b>56,115</b>	<b>63,654</b>	<b>166,183</b>	<b>50,430</b>
<b>Revenues Over/(Under)</b>					
Expenditures	\$ (63,677)	\$ 60,584	\$ 114,097	\$ 6,744	\$ 32,059

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2014	2013	2012	2011	2010
100%	100%	100%	100%	100%
*	*	*	*	*
100%	100%	100%	100%	100%
41%	35%	24%	30%	38%
6%	7%	5%	5%	10%
7%	5%	7%	6%	13%
82%			50%	
10%			5%	
146%	47%	36%	96%	61%
(46%)	53%	64%	4%	39%

**Fort Bend County Municipal Utility District No. 148**  
**TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund**  
**For the Last Five Fiscal Years**

	Amounts				
	2014	2013	2012	2011	2010
Revenues					
Property taxes	\$ 149,275	\$ 152,277	\$ 68,418	\$ 67,726	\$ 149,595
Penalties and interest	1,207	1,844	1,835	2,903	6,691
City of Rosenberg tax rebate	2,232	2,040	1,904	2,297	3,262
Miscellaneous					90
Investment earnings	113	182	251	458	613
<b>Total Revenues</b>	<b>152,827</b>	<b>156,343</b>	<b>72,408</b>	<b>73,384</b>	<b>160,251</b>
Expenditures					
Tax collection services	7,169	7,052	6,593	7,491	8,331
Debt service					
Principal	60,000	55,000	50,000	50,000	45,000
Interest and fees	84,448	86,813	88,938	91,038	92,883
<b>Total Expenditures</b>	<b>151,617</b>	<b>148,865</b>	<b>145,531</b>	<b>148,529</b>	<b>146,214</b>
<b>Revenues Over (Under) Expenditures</b>	<b>\$ 1,210</b>	<b>\$ 7,478</b>	<b>\$ (73,123)</b>	<b>\$ (75,145)</b>	<b>\$ 14,037</b>

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2014	2013	2012	2011	2010
97%	97%	94%	92%	94%
1%	1%	3%	4%	4%
2%	2%	3%	3%	2%
*	*	*	1%	*
<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
5%	5%	9%	10%	5%
39%	35%	69%	68%	28%
<u>55%</u>	<u>56%</u>	<u>123%</u>	<u>124%</u>	<u>58%</u>
<u>99%</u>	<u>96%</u>	<u>201%</u>	<u>202%</u>	<u>91%</u>
<u>1%</u>	<u>4%</u>	<u>(101%)</u>	<u>(102%)</u>	<u>9%</u>

**Fort Bend County Municipal Utility District No. 148**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended September 30, 2014**

Complete District Mailing Address: c/o Allen Boone Humphries Robinson LLP  
3200 Southwest Freeway, Suite 2600, Houston, TX 77027

District Business Telephone Number: 713-860-6400

Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): June 6, 2014

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

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
Scott Pleus	5/14 - 5/18	\$ 750	\$ 129	President
Paul S. Grover	5/12 - 5/16	900	101	Vice President
Ryan Newton	5/12 - 5/16	900	62	Secretary
Kenneth Kucherka	5/14 - 5/18	900		Assistant Secretary
Edward C. Streich	5/14 - 5/18	900	68	Assistant Vice President
<b>Consultants</b>				
Allen Boone Humphries Robinson LLP	7/12/2004	<u>Amounts Paid</u> \$ 38,417		Attorney
F. Matuska, Inc.	8/1/2006	9,800		Bookkeeper
Assessments of the Southwest	9/1/2004	4,492		Tax Collector
Fort Bend Central Appraisal District	Legislation	1,801		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	3/7/2005	20		Delinquent Tax Attorney
Brown and Gay Engineers, Inc.	8/2/2004	7,501		Engineer
McGrath & Co., PLLC	Annual	10,150		Auditor
RBC Capital Markets	2/1/2013			Financial Advisor

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

See accompanying auditors' report.

# McGrath & Co., PLLC

Certified Public Accountants

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Houston, Texas 77277

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mark@mcgrath-co.com

Colette M. Garcia CPA  
colette@mcgrath-co.com

February 6, 2015

Board of Directors  
Fort Bend County Municipal Utility District No. 148  
Fort Bend County, Texas

In planning and performing our audit of the financial statements of governmental activities and each major fund of Fort Bend County Municipal Utility District No. 148 (the "District"), as of and for the year ended September 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal controls exists when the design or operation of a control does not allow management, in the normal course of performing their assigned functions, to prevent, detect or correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

The District's management consists of an elected Board of Directors (the "Directors"). Day-to-day operations are performed by private companies ("Consultants") under contract with the District. The Directors of the District supervise the performance of the Consultants; however, although the Consultants can be part of the District's system of internal control, the Consultants are not members of management. Ultimately, the Directors of the District are responsible for the design and implementation of the system of internal control.

## **Material Weaknesses**

We observed the following matters that we consider to be material weaknesses:

- As is common within the system of internal control of most small organizations, the accounting function of the District does not prepare the financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America. This could result in the District's financial statements and related note disclosures not fully or accurately presenting the District's financial position and changes in financial position during the fiscal year in conformity with accounting principles generally accepted in the United States of America.

- During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to present the financial statements on both the fund basis and the government-wide basis of accounting. Management's reliance upon the auditor to detect and make these necessary adjustments could result in misstatements in the District's financial statements.
- The District's Management relies on the District's auditor to prepare the capital asset schedules and post adjustments related to the presentation of the capital assets in the government-wide financial statements. This reliance on the auditor to perform this function could result in the understatement or overstatement of capital assets on the District's *Statement of Net Position* or an error in the amount reported as amortization expense in the *Statement of Activities*.

### **Management's Response**

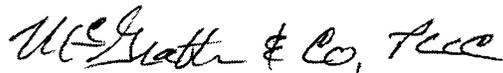
The District's financial statements have been prepared in a manner that is consistent with prior years. The Board engages a bonded bookkeeper who possesses industry knowledge and expertise, including a concentration in special districts accounting. The Board also engages a financial advisor and tax assessor/collector who possess industry knowledge and expertise, as well as legal and professional engineering services. The Board has consulted with its independent auditor concerning this "management letter" and the auditor does not recommend any change in the Board's bookkeeping or audit procedures at this time. To the best of its knowledge, the Board conducts the District's business affairs in the same manner as other similarly situated special districts, and, based on the recommendations of its auditor, does not believe that the addition of an employee to oversee the monthly and annual financial reporting process or to prepare financial statements or that undertaking an additional annual audit is necessary or cost effective.

### **Conclusion**

Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, Board of Directors and the Texas Commission on Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



McGrath & Co., PLLC-CPAs  
Houston, Texas