

OFFICIAL STATEMENT DATED July 24, 2018

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL AS TO THE VALIDITY OF THE BONDS AND TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME OF THE OWNERS OF THE BONDS FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER EXISTING STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS, AND IS NOT INCLUDABLE IN MINIMUM TAXABLE INCOME OF AN INDIVIDUAL. SEE "LEGAL MATTERS" AND "TAX MATTERS" HEREIN FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

The Bonds will be designated "Qualified Tax-Exempt Obligations" for financial institutions. SEE "TAX MATTERS – Qualified Tax Exempt Obligations."

NEW ISSUE – Book-Entry-Only

RATINGS: Moody's (Underlying): "A2"
Moody's (Insured): "A2"
S&P (Insured): "AA"
See "MUNICIPAL BOND RATING" AND
"MUNICIPAL BOND INSURANCE" herein

\$5,055,000

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46
(A Political Subdivision of the State of Texas Located in Fort Bend County, Texas)
Unlimited Tax Bonds, Series 2018

Dated: August 1, 2018

Due: September 1, as shown below

The Bonds described above (the "Bonds") will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. Principal of and interest on the Bonds will be payable by ZB, National Association, d/b/a Amegy Bank, Houston, Texas (the "Paying Agent/Registrar"). Interest accrues from August 1, 2018, and is payable on March 1, 2019, and each September 1 and March 1 thereafter until the earlier of maturity or redemption. Interest will be calculated on the basis of a 360 day year of twelve 30 day months.

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



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **Assured Guaranty Municipal Corp. ("AGM")**.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due	Principal	Interest	Initial	CUSIP ^(c)	Due	Principal	Interest	Initial	CUSIP ^(c)
<u>September 1)</u>	<u>Amount</u>	<u>Rate (a)</u>	<u>Reoffering</u>	<u>Yield (b)</u>	<u>Yield (b)</u>	<u>Amount</u>	<u>Rate (a)</u>	<u>Reoffering</u>	<u>Yield (b)</u>
2027(d)	\$225,000	3.000%	2.900%	HD9	2033(d)	\$290,000	3.250%	3.350%	HK3
2028(d)	235,000	3.000%	3.000%	HE7	2034(d)	305,000	3.375%	3.400%	HL1
2029(d)	245,000	3.000%	3.050%	HF4	2035(d)	315,000	3.375%	3.450%	HM9
2030(d)	255,000	3.000%	3.100%	HG2	2036(d)	330,000	3.500%	3.500%	HN7
2031(d)	265,000	3.000%	3.200%	HH0	2037(d)	345,000	3.500%	3.550%	HP2
2032(d)	275,000	3.250%	3.300%	HJ6	2038(d)	360,000	3.500%	3.600%	HQ0

\$770,000 Term Bonds due September 1, 2040 (d) (e) Interest Rate 3.625% Initial Yield 3.700% (b) CUSIP No. 346909 HS6(c)

\$840,000 Term Bonds due September 1, 2042 (d) (e) Interest Rate 3.750% Initial Yield 3.750% (b) CUSIP No. 346909 HU1(c)

- After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest net effective interest rate bid to purchase the Bonds, bearing interest as shown, at a price of 97.201411% of par, plus accrued interest to the date of delivery, resulting in a net effective interest rate to the District of 3.624313%.
- The initial reoffering yields on the Bonds are established by, and are the sole responsibility of the Initial Purchaser, as defined herein, and may subsequently be changed. Accrued interest from August 1, 2018 is to be added to the price.
- CUSIP numbers have been assigned to the Bonds by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the owners of the Bonds.
- The Bonds shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2025, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions." The yield on Bonds maturing on and after September 1, 2027, is calculated to the lower of yield to redemption or maturity. In addition, the Initial Purchaser may designate one or more of the Bonds as term bonds. See accompanying "Official Notice of Sale."
- In addition to being subject to optional redemption, as described above, the Term Bonds (as hereinafter defined) are also subject to mandatory redemption by lot or other customary random selection method on September 1 in the years and in the amounts set forth herein under the caption "THE BONDS – Redemptions Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property located within the District. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See "RISK FACTORS."

The Bonds are offered when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas and by Coats Rose, P.C., Bond Counsel, Houston, Texas. Certain legal matters will be passed on for the District by Winstead PC, Dallas, TX, as Disclosure Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about August 28, 2018.

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.

This Official Statement does not 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, resolutions, contracts, audits, 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 RBC Capital Markets, LLC, 2800 Post Oak Blvd., Suite 3900, Houston, Texas 77056, the Financial Advisor to the District.

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 that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in the Official Statement until delivery of the Bonds to the Initial Purchaser, and thereafter only as specified in "SOURCES OF INFORMATION - Updating of Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B - Specimen Municipal Bond Insurance Policy."

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the lowest net effective interest rate bid, which was tendered by Raymond James & Associates, Inc. (referred to herein as the “Initial Purchaser” or “Underwriter”). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates on the cover page of this Official Statement, at a price of 97.201411% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.624313%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser 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 initial purchaser or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER 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.

Securities Laws

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

MUNICIPAL BOND RATING

The District has made application to Moody’s Investor Services, Inc. (“Moody’s”) for an underlying rating on the Bonds and Moody’s has assigned a rating of “A2.” It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), will assign its municipal bond rating of “AA”, and Moody’s will assign its municipal bond rating of “A2” to this issue of Bonds, with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy guaranteeing the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (the “Bond Insurer” or “AGM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

Assured Guaranty Municipal Corp.

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

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On June 26, 2018, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On May 7, 2018, Moody’s announced it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

On January 23, 2018, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Capitalization of AGM

At March 31, 2018:

- The policyholders’ surplus of AGM was approximately \$2,247 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. (“MAC”) (as described below) were approximately \$1,133 million. Such amount includes 100% of AGM’s contingency reserve and 60.7% of MAC’s contingency reserve.
- The net unearned premium reserves of AGM and its subsidiaries (as described below) were approximately \$1,646 million. Such amount includes (i) 100% of the net unearned premium reserves of AGM and AGM’s wholly owned subsidiaries Assured Guaranty (Europe) plc, Assured Guaranty (UK) plc, CIFG Europe S.A. and Assured Guaranty (London) plc (together, the “AGM European Subsidiaries”) and (ii) 60.7% of the net unearned premium reserve of MAC.

The policyholders’ surplus of AGM and the contingency reserves and net unearned premium reserves of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of the AGM European Subsidiaries were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (filed by AGL with the SEC on May 4, 2018).

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

Any information regarding AGM included herein under the caption “MUNICIPAL BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under this section.

BOND INSURANCE RISK FACTORS

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The Initial Purchaser may determine whether an insurance policy will be purchased with the Bonds. If an insurance policy is purchased, the following are risk factors relating to bond insurance.

In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the bondholder may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District or the Initial Purchaser has made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

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. Particularly, the reader should refer to indicated sections for more complete information on the discussed topic.

THE BONDS

The Issuer	Fort Bend County Municipal Utility District No. 46 (the “District”), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See “THE DISTRICT.”
The Bonds.....	\$5,055,000 Fort Bend County Municipal Utility District No. 46 Unlimited Tax Bonds, Series 2018 (the “Bonds”) are issued pursuant to an order of the District’s Board of Directors (the “Bond Order”). The Bonds are serial bonds, unless designated as term bonds by the initial purchaser, in the aggregate principal amount of \$5,055,000, maturing annually in varying amounts in the years 2027 through 2042, inclusive. The Bonds are subject to redemption prior to their scheduled maturities on September 1, 2025, and on any date thereafter. The Bonds are offered in fully registered form in integral multiples of \$5,000 principal amount. See “THE BONDS.”
Source of Payment.....	The Bonds are payable from an ad valorem tax levied upon all taxable property within the District, which under Texas law is not limited as to rate or amount (see “TAXING PROCEDURES”). The Bonds are obligations of Fort Bend County Municipal Utility District No. 46 and are not obligations of the City of Missouri City (the “City”), Texas; the State of Texas; Fort Bend County, Texas; or any other political subdivision or agency. See “THE BONDS - Source of Payment.”
Use of Proceeds	The proceeds of the Bonds will be used to finance the following: (1) Pebble Creek at Riverstone Section 1, Phase 1A – Clearing and Grubbing; (2) Pebble Creek at Riverstone Section 1, Phase 1A – W, WW & D; (3) Pebble Creek at Riverstone Section 1 Detention Facility “A”; (4) Pebble Creek at Riverstone Section 1, Phase 1B – W, WW & D; (5) Storm Water Pollution Prevention Plan (SWPPP) (Item Nos. 1 through 4); (6) Engineering; (7) Levee Pump Station; (8) Land Costs for Pebble Creek Detention Pond; and (9) to pay for costs related to the issuance of the Bonds. See “SOURCES AND USES OF FUNDS.”
Qualified Tax-Exempt Obligations	The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended (the “Code”), and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by District during calendar year 2018 is not reasonably expected to exceed \$10,000,000. See “QUALIFIED TAX-EXEMPT OBLIGATIONS.”
Payment Record.....	The District has never defaulted on the timely payment of principal or interest on its outstanding indebtedness. See “BOOK – ENTRY – ONLY SYSTEM.”
Remaining Outstanding Bonds.....	In addition to the Bonds, the District has previously issued: \$2,700,000 Unlimited Tax Bonds, Series 1985 (the “Series 1985 Bonds”); \$2,340,000 Unlimited Tax Refunding Bonds, Series 1996 (the “Series 1996 Bonds”); \$3,600,000 Unlimited Tax Bonds, Series 1997 (the “Series 1997 Bonds”); \$2,610,000 Unlimited Tax Bonds, Series 1999 (the “Series 1999 Bonds”); \$3,080,000 Unlimited Tax Bonds, Series 2004 (the “Series 2004 Bonds”); \$4,805,000 Unlimited Tax Bonds, Series 2005 (the “Series 2005 Bonds”); \$5,590,000 Unlimited Tax Refunding Bonds, Series 2006 (the “Series 2006 Bonds”); \$6,300,000 Unlimited Tax Bonds, Series 2009 (the “Series 2009 Bonds”); \$2,195,000 Unlimited Tax Park Bonds, Series 2012 (the “Series 2012 Bonds”); \$4,430,000 Unlimited Tax Refunding Bonds, Series 2014 (the “Series 2014 Bonds”); and 4,665,000 Unlimited Tax Refunding Bonds, Series 2016 (the “Series 2016 Bonds”) aggregating \$42,390,000 in principal amount of unlimited tax bonds issued by the District. Following the issuance of the Bonds, \$16,365,000 in principal amount of bonds issued will remain outstanding (the “Remaining Outstanding Bonds”). See “BOOK – ENTRY – ONLY SYSTEM.”

Municipal Bond Insurance

and Rating.....

The District has made application to Moody's for an underlying rating on the Bonds and Moody's has assigned a rating of "A2." It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), will assign its municipal bond rating of "AA" and Moody's, will assign its municipal bond rating of "A2" to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy guaranteeing the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. See "MUNICIPAL BOND RATING" AND "MUNICIPAL BOND INSURANCE – Assured Guaranty Municipal Corp.", and "BOND INSURANCE RISK FACTORS".

An explanation of the significance of such ratings may be obtained from Moody's and S&P. These ratings reflect only the views of Moody's and S&P, and the District makes no representation as to the appropriateness of such ratings. Further, there is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely, if in the sole judgment of Moody's and/or S&P circumstances so warrant. Any such downward revisions or withdrawal of the ratings may have an adverse effect on the trading value and the market price of the Bonds.

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

Recent Extreme Weather

Events; Hurricane Harvey.....

The Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

Hurricane Harvey struck the Greater Houston metropolitan area on August 26, 2017, resulting in historic levels of rainfall. According to the District's engineer, there was no interruption of water and sewer service during or after the storm, and the District's system did not sustain any material damage from Hurricane Harvey. There was minor erosion in certain portions of the District's detention facilities, which has been or is planned to be repaired. Further, according to the District's engineer, no taxable improvements within the District appear to have experienced flooding or other material damage. Hurricane Harvey could have a material impact on the Houston region's economy. The District cannot predict what impact, if any, Hurricane Harvey will have on the assessed value of homes and commercial improvements within the District.

Legal Opinion.....

Coats Rose, P.C., Houston, Texas, Bond Counsel. See "LEGAL MATTERS."

Disclosure Counsel

Winstead PC, Dallas, TX.

Financial Advisor

RBC Capital Markets, LLC, Houston, Texas.

Engineer.....

Century Engineering, Inc., Houston, Texas.

THE DISTRICT

Description	Fort Bend County Municipal Utility District No. 46, a political subdivision of the State of Texas, is located in Fort Bend County, Texas. The District consists of approximately 520 acres and is located approximately 17 miles southwest of the central business district of the City of Houston. The District is located near the intersection of FM 1092 and Texas State Highway 6 and approximately 5 miles southeast of the intersection of Texas State Highway 6 and U.S. Highway 59. The District lies entirely within the city limits of the City and entirely within the boundaries of the Fort Bend Independent School District. A portion of the northeastern boundary of the District fronts Texas State Highway 6. See “THE DISTRICT – General.”
Authority.....	The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an election held in the District and an order of the Texas Commission on Environmental Quality (the “TCEQ”). See “THE DISTRICT – General.”
Development.....	<p>Residential homebuilding within the District consists of 683 completed and occupied single-family homes, 6 completed and vacant single-family homes, and no lots currently under development within the District. Homes in the Pebble Creek subdivision had an average price of above \$300,000.</p> <p>Approximately 134 acres of land in the District which front Texas State Highway 6 are zoned for commercial purposes. Approximately 110 acres of such land have been served with water, sanitary sewer, storm sewer facilities and streets. The remaining 32.4 undeveloped but developable acres are owned by Golden Power Capital, LLC (27.5063 acres), and United Max Brazos 489, LLC (4.9015 acres). Commercial improvements include a Target Super Store, a 102,700 square foot shopping center anchored by a Kroger Store, a Walgreens and various other commercial establishments. See “THE DISTRICT - Status of Development” and “THE SYSTEM.”</p>

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.”

SUMMARY OF SELECTED FINANCIAL INFORMATION

2017 Certified Taxable Assessed Valuation	\$286,003,794 (a)
Preliminary Taxable Assessed Valuation as of January 1, 2018	\$306,046,981 (b)
Direct Debt Outstanding (including the Bonds)	\$16,365,000
Estimated Overlapping Debt.....	<u>17,077,058</u>
Total.....	\$33,442,058
Direct Debt Ratios:	
as a percentage of 2017 Certified Taxable Assessed Valuation	5.72%
as a percentage of the Preliminary Taxable Valuation as of January 1, 2018.....	5.35%
Direct and Overlapping Ratios:	
as a percentage of 2017 Certified Taxable Assessed Valuation	11.69%
as a percentage of the Preliminary Taxable Valuation as of January 1, 2018.....	10.93%
General Fund (as of June 26, 2018).....	\$2,025,099
Capital Projects Fund (as of June 26, 2018)	\$2,665,664
Debt Service Fund (as of June 26, 2018).....	\$3,311,665
2017 Tax Rate	
Maintenance & Operations.....	\$0.18
Debt Service.....	<u>0.72</u>
	<u>\$0.90</u>
Average Annual Debt Service Requirement (2018/2042)	
("Average Annual Requirement").....	\$822,523
Maximum Annual Debt Service Requirement (2019)	
("Maximum Annual Requirement").....	\$1,990,748
Tax rate required to pay Average Annual Requirement based upon:	
2017 Certified Taxable Assessed Valuation at 95% collections	\$0.31
Preliminary Taxable Assessed Valuation as of January 1, 2018 at 95% collections.....	\$0.29
Tax rate required to pay Maximum Annual Requirement based upon:	
2017 Certified Taxable Assessed Valuation at 95% collections	\$0.74
Preliminary Taxable Assessed Valuation as of January 1, 2018 at 95% collections.....	\$0.69
Number of water and sewer connections as of May 1, 2018:	
Single Family Homes - Occupied	683
Single Family Homes – Vacant	6
Commercial	51
Builder	1
Irrigation	42
Rental Meters	3
District Meters	<u>3</u>
Total	789
Estimated District Population	2,390 (c)

(a) As certified by the Fort Bend Central Appraisal District ("FBCAD"). See "TAXING PROCEDURES."

(b) Provided by the Appraisal District as the preliminary value on January 1, 2018. Represents the preliminary determination of the taxable value of the District as of January 1, 2018. This preliminary value is subject to protest by the landowners. No taxes will be levied on the preliminary value. The value will be certified by the Appraisal District and taxes will be levied on the certified value. No representation is made as to the variance in the certified value for 2018 and the preliminary value provided herein.

(c) Based upon 3.5 residents per occupied single family home.

OFFICIAL STATEMENT

relating to

\$5,055,000

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46

(A political subdivision of the State of Texas located within Fort Bend County, Texas)

Unlimited Tax Bonds

Series 2018

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 46 (the “District”), of its \$5,055,000 Unlimited Tax Refunding Bonds, Series 2018 (the “Bonds”).

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code; (ii) an election held within the District on June 24, 1995; (iii) an order adopted by the Board of Directors of the District on the date of the sale of the Bonds (the “Bond Order”); and (iv) an order of the Texas Commission on Environmental Quality (the “TCEQ”) dated June 8, 2018.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Fort Bend County (the “County”) or the City of Missouri City (the “City”) or any entity other than the District. The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See “THE BONDS.” The investment quality of the Bonds depends on the ability of the District to collect from the property owners all taxes levied against their property or, in the event of foreclosure, the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. See “Registered Owners’ Remedies” and “Tax Collections” below.

Factors Affecting Taxable Values and Tax Payments

Maximum Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2017 Certified Taxable Assessed Valuation of the District is \$286,003,794 and the Preliminary Taxable Valuation as of January 1, 2018 is \$306,046,981 (see “SUMMARY OF SELECTED FINANCIAL INFORMATION”). After issuance of the Bonds, the Maximum Annual Requirement will be \$1,990,748 (2019), and the Average Annual Requirement, on a calendar year basis, will be \$822,523 (2018 through 2042, inclusive). Assuming no increase or decrease from the 2017 Certified Taxable Assessed Valuation and no use of funds on hand, a debt service tax rate of \$0.74 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the Maximum Annual Requirement and a debt service tax rate of \$0.31 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Requirement. Assuming no increase or decrease from the Preliminary Taxable Valuation as of January 1, 2018 and no use of funds on hand, a debt service tax rate of \$0.69 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the Maximum Annual Requirement and a debt service tax rate of \$0.29 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Requirement. See “DISTRICT DEBT - General.” Property within the District also is subject to taxes levied by other political subdivisions. See “DISTRICT DEBT – Estimated Overlapping Debt Statement.”

Tax Collections

The District's ability to make debt service payments on the Bonds 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 two years of foreclosure. 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. 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 or impede any attempt by the District to collect delinquent ad valorem taxes against such taxpayer.

Registered Owners' Remedies

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

The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

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

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating the collateral or security

arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

Marketability

The District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of other bonds issued by more traditional issuers as such bonds are more generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

Following the issuance of the Bonds, the District will have \$3,095,000 principal amount of unlimited tax bonds authorized for the purpose of acquiring, constructing, owning, operating, repairing, improving or extending the System and/or refunding purposes, and \$105,000 principal amount of unlimited tax bonds authorized for parks and recreational facilities will remain authorized but unissued. The District reserves in the Bond Order 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.

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.

The Bond Order 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) amendments to the existing City Ordinance specifying the purposes for which the District may issue bonds; (b) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District at an election called for such purpose; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board has not considered calling such an election at this time. Issuance of bonds for fire-fighting activities could dilute the investments 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. Before the District could issue additional park bonds payable from taxes, the following actions would be required (a) approval of the park project and bonds by the Commission; (b) approval of the bonds by the District; and (c) approval of the bonds by the Attorney General of Texas. If the District does issue additional park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. At an election held within the District on November 2, 2010, voters in the District approved \$2,300,000 principal amount of park bonds. The District has issued one park bond issue in the amount of \$2,195,000, and therefore currently has \$105,000 in remaining authorization.

Continuing Compliance with Certain Covenants

The Bond Order contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX EXEMPTION."

Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

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, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Environmental and Air Quality Regulations

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

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

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

Air Quality/Greenhouse Gas Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston Galveston area (“HGB area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—was designated by the EPA in 2008 as a severe ozone nonattainment area under the 1997 “eight-hour” ozone standards (“the 1997 Ozone Standards”). In December 2015, the EPA determined that the HGB area has reached attainment under the 1997 Ozone Standards, and in May 2016, the EPA issued a proposed rule approving Texas’s redesignation substitute demonstration for the HGB area. However, until the EPA issues a final ruling, the HGB area is still subject to anti-backsliding obligations and nonattainment new source review requirements associated with the 1997 Ozone Standards.

In 2008, the EPA lowered the ozone standard from 80 parts per billion (“ppb”) to 75 ppb (“the 2008 Ozone Standard”), and designated the HGB area as a marginal ozone nonattainment area, effective July 20, 2012. Such nonattainment areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA’s 2008 Ozone Standard is met. The HGB area did not reach attainment under the 2008 Ozone Standard by the 2016 deadline, and on September 21, 2016, the EPA proposed to reclassify the HGB area from marginal to moderate under the 2008 Ozone Standard. If reclassified, the HGB area’s 2008 Ozone Standard attainment deadline must be met as expeditiously as practicable, but in any event no later than July 20, 2018. If the HGB area fails to demonstrate progress in reducing ozone concentration or fails to meet the EPA’s 2008 Ozone Standard, the 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.

On October 1, 2015, the EPA lowered the ozone standard from 75 ppb to 70 ppb (“the 2015 Ozone Standard”). On August 3, 2016, the TCEQ recommended to the EPA that all counties designated as nonattainment for the 2008 Ozone Standard be designated nonattainment for the 2015 Ozone Standard as well, which will impose additional ozone-reduction obligations on the HGB area. This could make it more difficult for the HGB area to demonstrate progress in reducing ozone concentration.

In order to comply with the EPA’s ozone standards for the HGB area, the TCEQ 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 the EPA’s attainment deadlines. These additional controls could have a negative impact on the HGB area’s economic growth and development.

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

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

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) on February 19, 2013. The TPDES Construction General 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 nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and must establish the total maximum allowable daily load (“TMDL”) of certain pollutants into the water bodies. The TMDLs that municipal utility districts may discharge may have an impact on the municipal utility district’s ability to obtain and maintain TPDES permits. TPDES General Permit (TXR150000) was reissued and is effective as of March 5, 2018. The permit is available for viewing at https://www.tceq.texas.gov/agency/agendas/comm/comm_agendas.html.

On May 27, 2015, the EPA and the United States Army Corps of Engineers (“USACE”) jointly issued a final version of the Clean Water Rule (“CWR”), which expands the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The final rule became effective on August 28, 2015. On October 9, 2015, the United States Court of Appeals for the Sixth Circuit put the CWR on hold nationwide. On January 22, 2018, the United States Supreme Court held that challenges to the CWR must proceed in federal district court as they do not fall within one of the CWA’s enumerated categories of EPA actions for which the federal courts of appeal have jurisdiction. On June 27, 2017, the EPA and the USACE released a proposed rule rescinding the CWR and reinstating language in place before 2015 changes. The proposed rule was published in the Federal Register on July 27, 2017, and the comment period ended on September 28, 2017. On November 16, 2017, the EPA and the USACE released a proposed rule to extend the effective date of the CWR by two years. The proposed rule was published in the Federal Register on November 22, 2017, and the public comment period ended on December 13, 2017. If the CWR is not rescinded, operations of municipal utility districts, including the District, are potentially subject to additional restrictions and requirements, including permitting requirements, if construction or maintenance activities require the dredging, filling or other physical alteration of jurisdictional waters of the United States or associated wetlands that are within the “waters of the United States.”

The District’s stormwater discharges currently maintain permit coverage (the “Current Permit”) through a joint program with the City of Missouri City, including 17 participants. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District’s inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop and implement the necessary 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 MS4 Permit.

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.

Recent Extreme Weather Events; Hurricane Harvey

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area, including the District, has experienced three storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, the most recent of which was Hurricane Harvey. Hurricane Harvey made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the District’s engineer, there was no interruption of water and sewer service during or after the storm, and the District’s water, wastewater and drainage system did not sustain any material damage from Hurricane Harvey.

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

Although the District’s engineer has reported there was no damage to the District’s water, wastewater, and drainage system, a FEMA claim was submitted to mitigate the costs associated with the District’s emergency action efforts associated with the District’s levee. See “THE SYSTEM – 100-Year Flood Plain”. The \$120,000 claim submitted included emergency hours expended by the levee operator, rental pump fees, and repairs to the top of the levee for minor damage caused by vehicles using the top the levee to access outfall structures during Hurricane Harvey.

Specific Flood Type Risks

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

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

Reappraisal of Property

When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property. The District has no plans to request a reappraisal.

Tax Payment Installments

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

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 order of the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds. A copy of the Bond Order may be obtained from the District upon request to Bond Counsel.

The Bonds will mature on September 1 of the years and in principal amounts, and will bear interest from August 1, 2018, at the rates per annum, set forth on the cover page of this Official Statement. Interest on the Bonds will be payable March 1, 2019, and semiannually thereafter on each September 1 and March 1 until maturity or redemption. The Bonds will be issued only in fully registered form in any integral multiples of \$5,000 for any one maturity and will be initially registered and delivered only to The Depository Trust Company, New York, New York ("DTC") in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by ZB, National Association d/b/a Amegy Bank, Houston, Texas, (the "Paying Agent/Registrar"), the Paying Agent/Registrar to Cede & Co., as registered owner. DTC will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY-SYSTEM."

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

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day without additional interest and with the same force and effect as if made on the specified date for such payment.

Authority for Issuance

The bonds authorized by the resident electors of the District, the amount of bonds issued and the remaining authorized but unissued bonds following the issuance of the Bonds are as follows:

Election Date	Purpose	Amount Authorized	Issued to Date	The Bonds	Remaining
05/26/1984	Water/Sewer/Drainage	\$ 7,215,000	\$ 7,215,000	-0-	-0-
06/24/1995	Water/Sewer/Drainage and Refunding	\$25,000,000	\$16,850,000	\$5,055,000	\$3,095,000
11/02/2010	Recreational Facilities	\$ 2,300,000	\$ 2,195,000	-0-	\$ 105,000

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

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

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 Order will be given only to DTC.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar will keep the register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar will provide for the registration and transfer of Bonds in accordance with the Bond Order. While the Bonds are in the Book-Entry-Only system, Bonds will be registered in the name of Cede & Co. and will not be transferred. See "BOOK-ENTRY-ONLY SYSTEM."

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 to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity which they determine to be sufficient to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Source of Payment

The Bonds are payable from the proceeds of a continuing, direct annual ad valorem taxes levied without legal limitation as to rate or amount against all taxable property located within the District. In the Bond Order, 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.

Record Date

The record date for the payment of the interest on any regularly scheduled Interest Payment Date is defined as the 15th day of the month (whether or not a business day) preceding such Interest Payment Date.

Redemption Provisions

Mandatory Redemption: The Term Bonds maturing on September 1, 2040, and 2042 (the "Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of Optional Redemption, as provided under "Optional Redemption" below):

\$770,000 Term Bonds Due September 1, 2040	
Mandatory Redemption Date	Principal Amount
September 1, 2039	\$375,000
September 1, 2040 (maturity)	395,000
\$840,000 Term Bonds Due September 1, 2042	
Mandatory Redemption Date	Principal Amount
September 1, 2041	\$410,000
September 1, 2042 (maturity)	430,000

Notice of the Mandatory Redemption of Term Bonds will be provided at least thirty (30) calendar days prior to the date fixed for redemption, with the particular portions of the Term Bond to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "Book-Entry-Only System".

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds (including any Term Bonds) maturing on or after September 1, 2027, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2025, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Serial Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM." If less than all of the entire outstanding principal amount of a Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the date fixed for redemption, in the manner specified in the Bond Order.

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Registrar shall

authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Effects of Redemption: By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds (including any Term Bonds) or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Transfer, Exchange and Registration

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

In the event the Book-Entry-Only System is discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the payment office of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Registrar. Upon due presentation of any Bond in proper form for transfer, the Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented. The Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered. The District or the Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond.

No application has been made to a rating company for a rating on the Bonds, nor is it expected that the District would have been successful in obtaining an investment grade rating had such application been made.

An application has been made for a commitment to issue a policy of municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies, will be at the option and expense of the Initial Purchaser. The Initial Purchaser understands, by submission of its bid, that the Initial Purchaser is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond guaranty insurance policy, and the payment of fees in connection with such ratings as is described below.

If the Initial Purchaser chooses to purchase municipal bond insurance on the Bonds, separate rating(s) may at the election of the Initial Purchaser be assigned the Bonds based upon the understanding that upon delivery of the Bonds a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. See "MUNICIPAL BOND RATING AND INSURANCE."

Defeasance

The Bond Order 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 non-callable obligations of the United States of America, (b) non-callable 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) non-callable 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.

Remaining Outstanding Bonds

In addition to the Bonds, the District has previously issued: \$2,700,000 Unlimited Tax Bonds, Series 1985 (the "Series 1985 Bonds"); \$2,340,000 Unlimited Tax Refunding Bonds, Series 1996 (the "Series 1996 Bonds"); \$3,600,000 Unlimited Tax Bonds, Series 1997 (the "Series 1997 Bonds"); \$2,610,000 Unlimited Tax Bonds, Series 1999 (the "Series 1999 Bonds"); \$5,590,000 Unlimited Tax Refunding Bonds, Series 2006 (the "Series 2006 Bonds"); \$6,300,000 Unlimited Tax Bonds, Series 2009 (the "Series 2009 Bonds"); \$2,195,000 Unlimited Tax Park Bonds, Series 2012 (the "Series 2012 Bonds"); \$3,415,000 Unlimited Tax Refunding Bonds, Series 2014 (the "Series 2014 Bonds"); and 4,665,000 Unlimited Tax Refunding Bonds, Series 2016 (the "Series 2016 Bonds") aggregating \$42,390,000 in principal amount of unlimited tax bonds issued by the District. Following the issuance of the Bonds, \$16,365,000 in principal amount of bonds issued will remain outstanding (the "Remaining Outstanding Bonds").

Following the issuance of the Bonds the following bonds will remain outstanding (the "Remaining Outstanding Bonds") and the respective redemption dates:

	Original Principal Amount	Remaining Outstanding Bonds
Series 2009 Bonds	\$ 6,300,000	\$ 1,325,000
Series 2012 Bonds	2,195,000	1,905,000
Series 2014 Bonds	4,430,000	3,415,000
Series 2016 Bonds	4,740,000	4,665,000
The Bonds	<u>5,055,000</u>	<u>5,055,000</u>
	<u>\$22,720,000</u>	<u>\$16,365,000</u>

Issuance of Additional Debt

The District may issue additional bonds with the approval necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$32,215,000 principal amount of unlimited tax bonds for the System (as herein after defined) and refunding purposes and \$2,300,000 principal amount of unlimited tax bonds for parks and recreational facilities, and could authorize additional amounts. The District has previously issued ten series of unlimited tax 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 land within the District or for refunding purposes. The District has also previously issued one series of unlimited tax park bonds for park and recreational purposes. Following the issuance of the Bonds, \$3,095,000 principal amount of unlimited tax bonds for the District's water, sanitary sewer and drainage system (the "System") and refunding purposes, and \$105,000 principal amount of unlimited tax bonds for parks and recreational facilities will remain authorized but unissued.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) amendment to the existing City ordinance specifying the purpose for which the District may issue bonds; (c) approval of the master plan and bonds by the Commission; and (d) approval of the bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. The District has no information concerning any determination by the City with respect to modification of its ordinance. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property valuation ratios and might adversely affect the investment security of the Bonds. See "RISK FACTORS - Future Debt."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

Amendments to the Bond Order

The District may, without the consent of or notice to any Registered Owners, amend the Bond Order 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 Order, 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 Order relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Order 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.

Specific Tax Covenants

The District has covenanted in the Bond Order that it will:

1. not use, permit the use of, or omit to use proceeds of the Bonds or any other amounts (or any property acquired, constructed, or improved with proceeds of the Bonds) in a manner which, if made or omitted, respectively, would cause interest on any Bonds not to be excludable from the gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended to date hereof (the “Code”), of the owners of the Bonds for federal income tax purposes;
2. prior to the last maturity of the Bonds, (a) not use or permit the use of proceeds of the Bonds or any property acquired with proceeds of the Bonds directly or indirectly in any private business use (as defined in the Bond Order) or (b) directly or indirectly impose or accept any charge or other payment for use of proceeds of the Bonds (or any property acquired, constructed, or improved with proceeds of the Bonds) in any private business use, unless in each case such charge or payment consists of taxes of general application within the District or interest earned on investments acquired with proceeds of the Bonds pending application for their intended purposes;
3. not use proceeds of the Bonds to make or finance loans to any person or entity other than a state or local government, excluding loans consisting of temporary investments pending application for intended purposes by including any transaction which constructively transfers ownership of property financed with proceeds of the Bonds for federal income tax purposes;
4. not directly or indirectly invest proceeds of the Bonds at a yield or in a manner which would cause the Bonds to become “arbitrage bonds” or “hedge bonds” as defined in Sections 148 and 149, respectively, of the Code;

5. calculate and pay any rebate amount as required by Section 148 of the Code;
6. not cause the Bonds to be treated as “federally guaranteed” obligations for purposes of Section 149(b) of the Code; and
7. file with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an information report in compliance with the Code.

The District may omit to comply with the foregoing covenants if in the opinion of Bond Counsel such omission would not adversely affect any exemption from federal income tax of interest on any Bonds.

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 name. The District and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payment 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 (as defined herein), 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 Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

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 Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the

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

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

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent/Registrar, 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, Paying Agent/Registrar, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Order and summarized under "THE BONDS - Transfer, Exchange and Registration."

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 Order will be given only to DTC.

Paying Agent/Registrar

The Board has selected ZB, National Association d/b/a Amegy Bank, Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The initial designated payment office for the Bonds is located in Houston, Texas. Provision is made in the Bond Order for removal of the Paying Agent/Registrar, provided that no such removal shall be effective until a successor paying agent/registrar shall have accepted the duties of the Paying Agent/Registrar under the provisions of the Bond Order. Any successor paying agent/registrar selected by the District shall be 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, shall have a combined capital and surplus of at least \$50,000,000, shall be subject to supervision or examination by federal or state authority, shall be registered as a transfer agent with the Securities and Exchange Commission and shall have a corporate trust office in the State of Texas.

SOURCES AND USES OF FUNDS

The proceeds of the Bonds will be used to finance the following: (1) Pebble Creek at Riverstone Section 1, Phase 1A – Clearing and Grubbing; (2) Pebble Creek at Riverstone Section 1, Phase 1A – W, WW & D; (3) Pebble Creek at Riverstone Section 1 Detention Facility “A”; (4) Pebble Creek at Riverstone Section 1, Phase 1B – W, WW & D; (5) Storm Water Pollution Prevention Plan (SWPPP) (Item Nos. 1 through 4); (6) Engineering; (7) Levee Pump Station; (8) Land Costs for Pebble Creek Detention Pond; and (9) to pay for costs related to the issuance of the Bonds.

District’s Share

Construction Costs

A. Developer Contribution Items

1. Pebble Creek at Riverstone Section 1, Phase 1A – Clearing and Grubbing.	\$83,662
2. Pebble Creek at Riverstone Section 1, Phase 1A – W, WW & D	727,238
3. Pebble Creek at Riverstone Section 1 Detention Facility “A”	504,703
4. Pebble Creek at Riverstone Section 1, Phase 1B – W, WW & D	481,049
5. Storm Water Pollution Prevention Plan (SWPPP) (Item Nos. 1 through 4)	55,416
6. Engineering (21.56% of Item Nos. 2 through 4)	<u>369,327</u>

TOTAL DEVELOPER CONTRIBUTION ITEMS

\$2,221,395

B. District Items

1. Levee Pump Station	\$1,200,000
2. Land Costs for Pebble Creek Detention Pond	514,422
3. Contingencies (10% of Item No. 1)	120,000
4. Engineering (15% of Item No. 1)	<u>180,000</u>

TOTAL DISTRICT ITEMS

\$2,014,422

NET CONSTRUCTION COSTS (83.79% of Bond Issue)

\$4,235,817

Non-construction Costs

A. Legal Fees (2.6%)	\$131,375
B. Fiscal Agent Fees (2%)	101,100
C. Developer Interest	336,451
D. Bond Discount	141,469
E. Bond Issuance Expenses	30,914
F. Bond Application Report	50,000
G. Attorney General Fees (0.10% or \$9,500 max.)	5,055
H. TCEQ Bond Issuance Fee (0.25%)	12,638
I. Contingency	<u>10,181</u>

TOTAL NON-CONSTRUCTION COSTS

\$819,183

TOTAL BOND ISSUE REQUIREMENT

\$5,055,000

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. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

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.

2017 Certified Taxable Assessed Valuation	\$286,003,794 (a)
Preliminary Taxable Assessed Valuation as of January 1, 2018	\$306,046,981 (b)
Direct Debt:	
Remaining Outstanding Bonds	\$11,310,000
The Bonds.....	<u>5,055,000</u>
	16,365,000
Estimated Overlapping Debt.....	<u>17,077,058 (c)</u>
Total Direct and Estimated Overlapping Debt	\$33,442,058
Direct Debt Ratios:	
as a percentage of 2017 Certified Taxable Assessed Valuation	5.72%
as a percentage of the Preliminary Taxable Assessed Valuation as of January 1, 2018	5.35%
Direct and Overlapping Ratios:	
as a percentage of 2017 Certified Taxable Assessed Valuation	11.69%
as a percentage of the Preliminary Taxable Assessed Valuation as of January 1, 2018	10.93%
Average Annual Debt Service Requirements (2018-2042)	\$822,523
Maximum Annual Debt Service Requirements (2023)	\$1,990,748
2017 Tax Rate	
Maintenance & Operation Debt Service.....	\$0.18
Debt Service	<u>0.72</u>
	<u>\$0.90</u>
General Fund (as of June 26, 2018).....	\$2,025,099
Capital Projects Fund (as of June 26, 2018)	\$2,665,664
Debt Service Fund (as of June 26, 2018).....	\$3,311,665 (d)

(a) As certified by the Fort Bend Central Appraisal District ("FBCAD"). See "TAXING PROCEDURES."

(b) Provided by the Appraisal District as the preliminary value on January 1, 2018. Represents the preliminary determination of the taxable value of the District as of January 1, 2018. This preliminary value is subject to protest by the landowners. No taxes will be levied on the preliminary value. The value will be certified by the Appraisal District and taxes will be levied on the certified value. No representation is made as to the variance in the certified value for 2018 and the preliminary value provided herein.

(c) See "DISTRICT DEBT – Estimated Overlapping Debt."

(d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund. At the time of closing, accrued interest from May 1, 2018 to the date of delivery will be deposited to this fund.

Estimated Overlapping Debt

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports prepared by the Municipal Advisory Council of Texas. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes.

<u>Taxing Body (a)</u>	<u>Outstanding Gross Debt</u>	<u>As of</u>	<u>% Overlpg. Gross Debt</u>	<u>Overlpg. Gross Debt</u>
Fort Bend County	\$593,940,527	06/30/2018	0.45%	\$ 2,672,732
Fort Bend ISD	969,638,767	06/30/2018	0.76%	7,369,255
Houston Community College	580,635,000	06/30/2018	0.14%	812,889
Missouri City, City of	137,355,000	06/30/2018	4.53%	<u>6,222,182</u>
TOTAL ESTIMATED OVERLAPPING NET DEBT				\$17,077,058
Fort Bend County MUD No. 46	\$16,365,000 (b)	06/30/2018	100.00%	<u>\$16,365,000</u>
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT				<u>\$33,442,058</u>
Ratio of Estimated Direct and Overlapping Debt to 2017 Certified Taxable Assessed Valuation				11.69%
Ratio of Estimated Direct and Overlapping Debt per Capita				\$ 13,992(c)

(a) Taxing jurisdictions with outstanding debt.

(b) Includes the Bonds.

(c) Based upon 3.5 residents per occupied single-family residential home. The estimated population is 2,390.

Debt Ratios

	<u>2017 Taxable Assessed Valuation</u>
Direct Debt	5.72%
Total Direct and Estimated Overlapping Debt	11.79%

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Debt Service Requirements

Series 2018 - The Bonds					
Year Ended	Outstanding				New
<u>31-Dec</u>	<u>Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Debt Service</u>
2018	\$ 1,799,011.50				\$ 1,799,011.50
2019	1,804,766.50	-	\$ 185,981.25	\$ 185,981.25	1,990,747.75
2020	1,805,687.50	-	171,675.00	171,675.00	1,977,362.50
2021	1,803,922.50	-	171,675.00	171,675.00	1,975,597.50
2022	1,797,792.00	-	171,675.00	171,675.00	1,969,467.00
2023	1,806,101.00	-	171,675.00	171,675.00	1,977,776.00
2024	1,104,379.00	-	171,675.00	171,675.00	1,276,054.00
2025	265,000.00	-	171,675.00	171,675.00	436,675.00
2026	257,500.00	-	171,675.00	171,675.00	429,175.00
2027	-	\$ 225,000.00	171,675.00	396,675.00	396,675.00
2028	-	235,000.00	164,925.00	399,925.00	399,925.00
2029	-	245,000.00	157,875.00	402,875.00	402,875.00
2030	-	255,000.00	150,525.00	405,525.00	405,525.00
2031	-	265,000.00	142,875.00	407,875.00	407,875.00
2032	-	275,000.00	134,925.00	409,925.00	409,925.00
2033	-	290,000.00	125,987.50	415,987.50	415,987.50
2034	-	305,000.00	116,562.50	421,562.50	421,562.50
2035	-	315,000.00	106,268.75	421,268.75	421,268.75
2036	-	330,000.00	95,637.50	425,637.50	425,637.50
2037	-	345,000.00	84,087.50	429,087.50	429,087.50
2038	-	360,000.00	72,012.50	432,012.50	432,012.50
2039	-	375,000.00	59,412.50	434,412.50	434,412.50
2040	-	395,000.00	45,818.75	440,818.75	440,818.75
2041	-	410,000.00	31,500.00	441,500.00	441,500.00
2042	-	430,000.00	16,125.00	446,125.00	446,125.00
	<u>\$ 12,444,160.00</u>	<u>\$ 5,055,000.00</u>	<u>\$ 3,063,918.75</u>	<u>\$ 8,118,918.75</u>	<u>\$ 20,563,078.75</u>

TAXING PROCEDURES

Set forth below is a summary of certain provisions of the Texas Property Tax Code relating to the District's ability to levy and collect property taxes on property within the District. Provisions of the Property Tax Code are complex and are not fully summarized herein. Reference is made to the Property Tax Code for more complete information, including the identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

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 Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order 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. The District levied a maintenance and operation tax of \$0.18 per \$100 assessed value in 2017. See "TAX DATA – Tax Rate Limitation."

Property Tax Code and County-wide Appraisal District

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. For tax year 2018, the District granted a general homestead exemption of 10%.

Freeport Goods and Goods-in-Transit Exemptions: 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 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. Such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has not taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

The City and the County may designate all or part of the area within the District as a reinvestment zone, and the County, Fort Bend Independent School District, the District, and the City may thereafter enter into tax abatement agreements with owners of real property within such zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction for a period of up to ten 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 a comprehensive plan. None of the area within the District has been designated as a reinvestment zone to date and the District does not expect any area within the District to be so designated in the near future.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

Notice and Hearing Procedures

The Property Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers in the event of certain proposed tax increases and provides for taxpayers referenda which could result in the repeal of certain tax increases. The District is required to publish a notice of a public hearing regarding the tax rate proposed to be levied in the current year and comparing the proposed tax rate to the tax rate set in the preceding year. If the proposed combined debt service, operation and maintenance and contract tax rates imposes a tax more than 1.08 times the amount of tax imposed in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead, disregarding any homestead exemption available to the disabled or persons 65 years of age or older, the qualified voters of the taxing jurisdiction by petition of ten percent of the registered voters in the taxing jurisdiction may require that an election be held to determine whether to reduce the operation and maintenance tax to the rollback tax rate.

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 Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

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 rate plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service rate cannot be changed by a rollback election.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. 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. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property that is a person sixty-five (65) years of age or older or disabled is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

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. 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 (a taxpayer may redeem property within two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. In addition, a person 65 or older may defer or abate a suit to collect delinquent taxes on the person's residence homestead. See "RISK FACTORS – General" and "- Tax Collections."

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 Order 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, not to exceed \$1.35 per \$100 of assessed valuation, for operation and maintenance purposes and \$0.10 for operation and maintenance of park facilities. The Board levied a 2017 tax rate for debt service purposes of \$0.72 per \$100 of assessed valuation, \$0.18 per \$100 of assessed valuation for operation and maintenance purposes for the System for a total tax rate of \$0.90 per \$100 assessed value

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$1.35 per \$100 of Assessed Valuation.

Historical Tax Collections

The following table illustrates the collection history of the District from the 2012-2017 tax years:

Tax Year	Taxable Assessed Valuation	Tax Rate	Tax Levy	Collections as of Tax Year End (a)		Tax Collections Through May 31, 2018	
				Amount	%	Amount	%
2012	\$216,516,965	\$ 0.8950	\$ 1,944,809	\$ 1,905,913	98.00%	\$ 1,944,809	100.00%
2013	216,617,441	0.8950	1,945,828	1,937,856	99.59%	1,944,892	99.95%
2014	232,075,890	0.8950	2,084,299	2,062,968	98.98%	2,068,706	99.25%
2015	242,774,719	0.9025	2,207,467	2,170,306	98.32%	2,190,691	99.24%
2016	262,933,783	0.9000	2,373,556	2,342,148	98.68%	2,351,182	99.06%
2017	286,003,794	0.9000	2,573,678	(b)	(b)	2,536,361	98.55%

(a) Reflects collections made through September 30, the end of the tax year, on such year's levy. The tax rate is levied in October, and collected over the course of the next 12 months, ending September 30 of the following year.

(b) In process of collection.

Tax Rate Distribution

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Debt Service:	\$0.7200	\$0.7200	\$0.7700	\$0.7700	\$0.8300
Maintenance & Operations:	<u>0.1800</u>	<u>0.1800</u>	<u>0.1325</u>	<u>0.1250</u>	<u>0.0650</u>
	\$0.9000	\$0.9000	\$0.9025	\$0.8950	\$0.8950

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value in the 2013-2017 tax year by type of property.

Type of Property	2017 Assessed Valuation (a)	2016 Assessed Valuation (b)	2015 Assessed Valuation (b)	2014 Assessed Valuation (b)	2013 Assessed Valuation (b)
Land	\$78,988,156	\$ 76,799,055	\$ 76,430,455	\$ 71,591,775	\$ 71,344,515
Improvements	211,168,803	192,199,667	177,121,705	155,172,478	139,398,655
Personal Property	18,286,500	16,854,360	15,391,790	14,403,372	12,975,501
Less: Exemptions	<u>(22,527,470)</u>	<u>(22,303,405)</u>	<u>(26,055,288)</u>	<u>(8,910,995)</u>	<u>(6,886,340)</u>
Total	<u>\$285,915,989</u>	<u>\$263,549,677</u>	<u>\$242,888,662</u>	<u>\$232,256,630</u>	<u>\$216,832,331</u>

(a) As provided by the District's Tax Assessor/Collector.

(b) From the District's Audited Financial Statements. Based upon adjusted tax at time of audit for the fiscal year in which the tax was levied.

Principal Taxpayers

The following list of top ten principal taxpayers was provided by the District's Tax Assessor/Collector based on the 2017 and 2016 certified tax rolls of the District, which reflect ownership as of January 1 of each year. Ownership changes since January 1, 2017 are not known to the District.

Taxpayer	Type of Property	2017 Assessed Valuation	2016 Assessed Valuation
Colony Lakes Center Ltd	Real Estate	\$15,616,470	\$15,358,290
Target Corporation	Retail	9,409,130	9,779,510
Kroger Texas LP	Retail	9,353,060	9,485,050
Midtown Market Missouri City TX LLC	Shopping Center	6,950,000	6,950,000
Health Care Reit Inc	Health Care	5,496,490	*
Golden Power Capital LLC	Manufacturer	4,424,820	*
Knights Court Development	Retail	4,300,000	3,437,420
PS LPT Property Investors	Real Estate	4,056,640	4,091,970
Target Corporation T-1359	Retail	3,087,980	3,122,570
6400SH6 Storage LLC	Storage	2,946,420	4,678,140
Brazos 27 Investments LP	Real Estate	*	4,424,820
7260 Rocky Creek LLC	Real Estate	*	<u>2,714,540</u>
Total		<u>\$65,641,010</u>	<u>\$64,042,310</u>
Percent of Assessed Valuation		22.95%	24.30%

* Not a principal taxpayer in this year.

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 2017 Certified Taxable Assessed Valuation (\$286,003,794) and the Preliminary Taxable Valuation as of January 1, 2018 (\$306,046,981). The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Requirement (2018-2042)	\$822,523
Tax rate of \$0.31 on the 2017 Certified Taxable Assessed Valuation.....	\$842,281
Tax rate of \$0.29 on the Preliminary Taxable Valuation as of January 1, 2018.....	\$843,159
Maximum Annual Requirement (2019).....	\$1,990,748
Tax rate of \$0.74 on the 2017 Certified Taxable Assessed Valuation.....	\$2,010,607
Tax rate of \$0.69 on the Preliminary Taxable Valuation as of January 1, 2018.....	\$2,006,138

Debt Service Fund Management Index

Debt Service Requirement for year ended (12/31/18)	\$1,874,837 (a)
Debt Service Fund Balance (as of June 26, 2018)	\$3,311,665
2017 Debt Service Fund Tax Levy @ 95% collections produces.....	<u>1,956,266</u> (b)
	\$5,267,931

(a) After the issuance of the Bonds.

(b) Estimated using the 2017 Assessed Valuation and the District's 2017 debt service tax rate of \$0.72/\$100 A.V.

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 Overlapping Debt"), 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 2017 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>2017 Tax Rate/ Per \$100 of A.V.</u>
The District	\$0.900000
Fort Bend County	0.469000
Fort Bend Independent School District	1.320000
City of Missouri City	0.600000
Houston Community College	<u>0.100263</u>
Estimated Total Tax Rate	<u>\$3.389263</u>

GENERAL FUND OPERATIONS

The following statement sets forth in condensed form the historical results of operation of the District's general fund operations. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements. Reference is made to such statements for further and complete information.

	Fiscal Year Ended				
	<u>06/30/17(a)</u>	<u>06/30/16(a)</u>	<u>06/30/15(a)</u>	<u>06/30/14(a)</u>	<u>06/30/13(a)</u>
Revenue					
Property Taxes	\$469,522	\$319,076	\$282,713	\$144,155	\$142,871
Water Services	261,181	266,017	239,320	266,141	275,796
Sewer Services	313,451	336,556	362,634	337,809	215,788
Garbage Service	0	0	0	0	126,341
Surface Water Fees	246,088	160,705	127,848	131,026	123,831
FBISD Payments	4,225	4,244	4,617	4,923	4,906
Penalty and Other	25,078	31,333	25,269	50,137	19,840
Tap Connection/Inspection Fees ..	82,575	106,250	95,564	0	46,157
Interest Income	<u>3,566</u>	<u>3,154</u>	<u>3,491</u>	<u>4,556</u>	<u>6,604</u>
Total Revenues	\$1,405,686	\$1,227,335	\$1,141,456	\$938,747	\$962,134
Expenditures					
Purchased Services	\$ 79,225	\$ 76,767	\$143,635	\$220,957	\$130,372
Professional Fees	132,428	109,499	227,172	117,468	169,117
Contracted Services	46,161	44,587	43,576	40,459	41,528
Utilities	41,219	63,708	45,631	36,402	37,851
Surface Water Fees	263,597	216,175	181,617	190,712	184,171
Repairs & Maintenance	279,872	298,013	197,760	182,572	218,377
Other Operating Expenditures	46,371	50,551	42,750	41,666	37,217
Garbage Disposal	101,646	133,206	157,044	146,503	151,539
Administrative Expenditures	66,656	49,209	39,567	34,271	37,363
Net Contractual Payment to Other District	6,590	6,590	9,019	8,821	3,870
Capital Outlay	<u>17,158</u>	<u>424,674</u>	<u>171,897</u>	<u>13,900</u>	<u>33,567</u>
Total Expenditures	\$1,080,923	\$1,472,979	\$1,259,668	\$1,033,731	\$1,044,972
NET REVENUES (DEFICIT)	<u>\$ 324,763</u>	<u>\$ (245,644)</u>	<u>\$ (118,212)</u>	<u>\$ (94,984)</u>	<u>\$ (82,838)</u>
Beginning Fund Balance	\$1,385,468	\$1,631,112	\$1,749,324	\$1,844,308	\$1,855,414
Net Revenues (Deficit)	324,763	(245,644)	(118,212)	(94,984)	(82,838)
Other Sources (Uses):					
Operating Transfers	0	0	0	0	71,732
Payment from School District	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Fund Balance	<u><u>\$1,710,231</u></u>	<u><u>\$1,385,468</u></u>	<u><u>\$1,631,112</u></u>	<u><u>\$1,749,324</u></u>	<u><u>\$1,844,308</u></u>

(a) Audited.

MANAGEMENT

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. One of the Directors listed below resides in the District, but the others own property secured by a note and deed of trust in favor of the Developer. Directors are elected in odd-numbered years for four-staggered terms. The present members and officers of the Board and their principal occupations are listed below:

Name	Position	Term Expires May
Sonal Shah	President	2019
Jennie Mussler	Vice President	2019
Shelley Winn	Secretary	2021
Jobin John	Assistant Secretary	2021
Ketan Inamdar	Assistant Secretary	2019

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

Tax Assessor/Collector – Land and improvements in the District are being appraised for taxation by the Fort Bend County Appraisal District. Bob Leared Interests Incorporated (“BLI”) currently serves the District as Tax Assessor/Collector. BLI serves approximately 151 other special districts as Tax Assessor/Collector.

Bookkeeper – The District contracts with Myrtle Cruz, Inc. to serve as bookkeeper for the District. Myrtle Cruz currently serves as bookkeeper for over 300 other special districts.

Utility System Operator – The District’s current operator is Si Environmental, LLC. Such firm acts as operator for approximately 80 utility districts.

Auditor – The District employed Roth & Eyring, PLLC to audit its financial records for the fiscal year ended June 30, 2018.

Engineer – The District has contracted for engineering services with Century Engineering, Inc. (the “Engineer”), which company acts as consulting engineers for 10 special districts.

Legal Counsel – The District employs Coats Rose, P.C., as Bond Counsel. The legal fees to be paid 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 on the sale and delivery of the Bonds. Coats Rose, P.C., also acts as general counsel for the District.

Financial Advisor – RBC Capital Markets, LLC (the “Financial Advisor”) has been employed since 2003 as Financial Advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on the amount of Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale 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. See “SOURCES OF INFORMATION - Experts.”

THE DISTRICT

General

Fort Bend County Municipal Utility District No. 46 (the “District”), a conservation and reclamation district created by the Texas Water Commission (“TWC”) now the Texas Commission on Environmental Quality (“TCEQ” or “Commission”) pursuant to Article XVI, Section 59 of the Texas Constitution, on January 25, 1984, operates under the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the Commission. The District consists of approximately 520 acres and is located approximately 17 miles southwest of the central business district of the City of Houston. The District is located near the intersection of FM 1092 and Texas State Highway 6 and approximately 5 miles southeast of the intersection of Texas State Highway 6 and U.S. Highway 59. The District lies entirely within the city limits of the City and entirely within the boundaries of the Fort Bend Independent School District (“FBISD”). A portion of the northeastern boundary of the District fronts Texas State Highway 6.

The District was created by the TWC in 1984. Thereafter, the initial development of the property within the District began, including the construction of a levee. The District includes approximately 31.6 acres of lakes, 12.6 acres of wetlands, 40.3 acres of churches and schools, 20.2 acres of park land, and 32.5 acres of streets, drainage easements, pipeline easements, the levee, and other easements. The District includes 134 acres of commercial and 245.6 acres of residential.

Status of Development

In the late 1980s, the land within the District was foreclosed upon by University Savings Association, the development lender, and the property was eventually acquired by the Resolution Trust Corporation (“RTC”) upon dissolution of University Savings Association.

In 1994, all of the land owned by the RTC in the District (328 acres) was acquired by Colony Bay, Ltd., a Texas limited partnership (“Colony Bay”). Since acquiring the property, Colony Bay has developed approximately 196 acres as the residential subdivisions of Colony Lakes Sections 1, 2, 3, 4, 5, 6, 7 and 8, and Waters Edge Sections 1 and 2.

In 2014, Sienna 325, LP, a Texas limited partnership (“Sienna 325”) purchased approximately 30 acres and facilitated its annexation into the District. Sienna 325 subsequently sold 22 acres to Newmark Homes to be developed as Pebble Creek at Riverstone containing 71 single family lots. For more information, visit www.newmarkhomes.com. Newmark Homes hired an affiliate of Sienna 325 to act as fee developer. Following the issuance of the Bonds, the District will not have any outstanding reimbursables due to either Newmark Homes or Sienna 325. Neither Newmark Homes nor Sienna 325 has any current ongoing development activities in the District.

Residential homebuilding within the District consists of 690 completed single-family homes of which 683 were occupied as of May 1, 2018. No lots are currently under development within the District. Homes in the Pebble Creek subdivision had an average price of above \$300,000. There is no active construction of homes or lots by developers or homebuilders in the District. The current land use plan notes 19.4 acres of land to be developed as single-family residential in the future. The following chart more completely describes the status of single family residential development within the District as of June 1, 2018.

<u>Subdivision</u>	<u>Acreeage</u>	<u>Platted Lots</u>	<u>Completed Homes</u>
Colony Lakes:			
Section 1	15.1700	59	59
Section 2	21.8810	67	67
Section 3	14.5791	48	48
Section 4	10.1560	34	34
Section 5	20.9400	81	81
Section 6	19.9995	65	65
Section 7	37.6546	87	87
Section 8	32.4802	90	90
Waters Edge:			
Section 1	10.2760	33	33
Section 2	<u>13.1550</u>	<u>55</u>	<u>55</u>
Pebble Creek:			
Section 1	<u>29.8360</u>	<u>71</u>	<u>71</u>
	226.1279	690	690

Commercial Property

Approximately 134 acres of land in the District which front Texas State Highway 6 are zoned for commercial purposes. Approximately 110 acres of such land have been served with water, sanitary sewer, storm sewer facilities and streets. Currently, approximately 62 acres of such property have been developed as a Target Super Store, a 102,700 square foot retail shopping center including a Kroger grocery store, Walgreens, various fast food restaurants, an Exxon gas station, an Amegy Bank branch office, and various other retailers. The remaining 32.4 undeveloped but developable acres are owned by Golden Power Capital, LLC (27.5063 acres), and United Max Brazos 489, LLC (4.9015 acres).

During 2004 and 2005 the District annexed approximately 95 acres of land. Currently, this land is being served with utilities, and some development has begun on this land, including a retail/office/warehouse development called Rocky Creek Crossing, a church/dentist/restaurant development, and an automotive repair shop called Christian Brothers Automotive. An additional retail/office complex, the Centre at Knight’s Court, has also been completed.

Service to Adjoining School

In 1992, the District entered into a Wastewater Treatment Service Agreement and a Water Supply Agreement with the “FBISD” for the District to provide water and sanitary sewer service to the Lawrence E. Elkins High School, then being constructed on a 57 acre tract of land adjacent to the District. Pursuant to the terms of the Water Supply Agreement, the District sold to the FBISD an undivided 11% interest in the District’s water plant. Pursuant to the provisions of the Wastewater Treatment Service Agreement, the District agreed to provide sanitary sewer service to FBISD via a 50,000 gallon per day interim wastewater treatment plant. Such interim plant has been removed and wastewater service is being provided by the City’s Regional Wastewater Treatment Plant. Since 1993, the District has been providing water and sanitary sewer service to the Lawrence E. Elkins High School. See “THE SYSTEM.”

Community Facilities

Community facilities available in the general geographic area of the District are set forth below:

Churches: Two churches are located within the District and churches of most major denominations are located in the northeast Fort Bend County and southwest Harris County areas.

Employment Centers: Numerous employment centers are located in the City and the surrounding cities of Stafford and Sugar Land as well as along U.S. Highway 59 in the southwest portion of the City of Houston.

Fire Protection: Fire protection for the District is provided by the City which operates a total of three fire stations in the City area. One station is located approximately three miles from the District and is equipped with one class A pumper truck and an ambulance. Additionally, the City and the City of Sugar Land have entered into an automatic mutual aid agreement whereby any structural fire receives an additional truck as a backup. The City of Sugar Land has a station located approximately 1.5 miles from the District.

Medical Facilities: Various health care facilities are located in the vicinity of the District along Texas State Highway 6 and U.S. Highway 59. The District is located approximately 16 miles from the Texas Medical Center.

Other Utilities: Electric service is provided by Reliant Energy, Inc., telephone service is provided by GTE Southwest, and gas service is provided by Center Point Energy, Inc.

Recreational Facilities: The District includes a recreational facility that is available to all residents of the District, including a swimming pool and playground.

Schools: The District is located in the FBISD which provides bus service to all students who attend district schools. Students from the District attend the following state-accredited schools.

<u>School</u>	<u>Grades</u>	<u>Approximate Distance From District</u>
Austin Parkway Elementary	K-5	3-5 miles
Quail Valley Middle School	6-8	2 miles
Elkins High School	9-12	Adjacent to District

Shopping Facilities: Various shopping facilities including supermarkets, pharmacies, cleaners and restaurants are located along Highway 6, FM 1092 and U.S. 59. The First Colony Mall is a major shopping facility located northwest of the District at the intersection of Highway 6 and U.S. 59.

THE DEVELOPER

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 most instances, the developer will be required to pay up to thirty percent (30%) 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.

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, or construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Neither the Developer, nor any affiliate entities, are obligated to pay principal of or interest on the Bonds. Furthermore, neither the Developer, nor any affiliate entities, have a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer or affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

The Developer

The developers of land within the District are Newmark Homes Houston, LLC, a Texas limited liability company and Sienna 325, L.P., a Texas limited partnership (collectively, the "Developer"). Sienna 325, L.P., is an affiliate of The Johnson Development Corporation. Established in 1975, Johnson Development Corporation is a leading land developer of properties across the country, particularly master-planned communities in the major markets of Texas.

Neither the Developer, nor its affiliates, is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer nor its affiliates has any legal commitment to the District or owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer is subject to change at any time. Because of the foregoing, financial information concerning the Developer will neither be updated nor provided following issuance of the Bonds.

THE SYSTEM

Regulation

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

Description of the System

- Wastewater Treatment and Conveyance System -

The District is currently served by the City's Regional Wastewater Treatment Plant. The District has purchased 400,000 gpd by agreement to serve the District from available capacity in such plant. According to the District's Engineer, such capacity is sufficient to serve 1,818 equivalent single family connections ("ESFC") assuming 220 gpd per connection. See "THE DISTRICT - Service to Adjoining School."

- Water Supply and Distribution -

Source of Water Supply: The District has one water plant with a 1,000 gallon per minute ("gpm"), two 300,000 gallon ground water storage tanks, four 1,090 gpm booster pumps, and two 15,000 gallon hydro-pneumatic tanks located in and operated by the District.

Pursuant to the Third Amended and Restated Regional Water Supply Agreement (the "RWSA") the District, Fort Bend County Municipal Utility District No. 115 ("MUD 115"), Fort Bend County Municipal Utility District No. 149 ("MUD 149") and Fort Bend County Municipal Utility District No. 129 ("MUD 129") the District has obtained additional water capacity. Pursuant to the RWSA, the District has purchased capacity to serve up to an additional 319 ESFCs.

Pursuant to the District's Groundwater Reduction Plan with the City, the City provides to the District surface water which is intended to be the District's primary source of potable water. The City currently owns and operates a 10 million gallon per day surface water plant, which is located south of the District and within the Sienna Plantation master planned community. The District will maintain its ground water supply from its water plant as a secondary supplemental source of potable water. The City began delivering surface water to the District in July 2016.

In the District Engineer's opinion, the District's existing water supply facilities, capacity purchased pursuant to the RWSA, and the surface water provided by the City are adequate to serve up to 2,235 ESFCs.

Subsidence and Conversion to Surface Water Supply: The District is within the boundaries of the Fort Bend Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. The District's authority to pump groundwater is subject to annual permits issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District.

The Subsidence District's regulations require the District, individually or collectively with other water users, to: (i) have prepared a groundwater reduction plan ("GRP") and to have obtained certification of the GRP from the Subsidence District by 2008; (ii) limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the GRP, beginning January 2014; and (iii) limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the GRP, beginning January 2025. The District has joined the City of Missouri City's GRP.

If the City of Missouri City, together with the participants in its GRP, fails to comply with the above Subsidence District regulations, such entities will be subject to a \$6.50 per 1,000 gallons disincentive fee penalty imposed by the Subsidence District for any groundwater withdrawn in excess of 70% of the total annual water demand beginning in January 2014 (60% in 2025).

The GRP fee currently being charged by the City of Missouri City is \$1.65 per 1,000 gallons pumped, and this fee is passed through to the District's customers as part of the District's standard monthly water and sewer bills. The rate is anticipated to increase in the future and the District cannot predict the amount or level of fees and charges, which may be due to the City of Missouri City in the future. The District may continue to pass such fees through to its customers through higher water rates or the District may pay for such fees with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the City of Missouri City: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, or (ii) will comply with the Subsidence District's surface water conversion requirements.

100-Year Flood Plain

In conjunction with the initial development of land within the District, a levee was constructed which resulted in virtually all of the land within the District being removed from the 100-year flood plain of the Brazos River and Flat Bank Creek. According to the Engineer, as a result of the construction of such levee and certain water detention lakes, box culverts, and storm sewer lines, only 6.5 acres of land planned for development within the District lies within the 100-year flood plain as illustrated by the Flood Insurance Rate Map, dated January 3, 1997, published by the Federal Emergency Management Agency.

Drainage improvements constructed to serve the land within the District include 2.1 miles of levee, 32 acres of lakes, drainage ditches and storm sewers. According to the Engineer, detention capacity constructed within the lakes is sufficient to provide onsite detention to serve all of Colony Bay's land within the District. In addition, the drainage ditches constructed within the District are sufficient to serve the full development of Colony Bay's land. As a result of the construction of the onsite drainage and detention facilities, the drainage impact fees charged by the Fort Bend County Flood Control Water Supply Corporation is equal to 15% of the otherwise applicable drainage impact fee. Detention capacity was added to serve the Johnson Development Corp.'s Brazos Crossing development.

The District raised a portion of its levee from Thompson Ferry Road to State Highway 6 to re-certify a 3-foot freeboard requirement based on a FEMA re-study of the Brazos River flood plain. Only this portion was required to be raised because the neighboring Fort Bend County Levee Improvement District No. 19 constructed a new levee which tied into the District's levee at Thompson Ferry Road.

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the District, and the approving legal opinion of Coats Rose, P.C., Bond Counsel to the District. The District will also furnish the opinion of Coats Rose, P.C., to the effect that the interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under the captions "TAX EXEMPTION," "QUALIFIED TAX-EXEMPT OBLIGATIONS."

Bond Counsel was engaged by, and only represents the District. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein. In its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions "THE BONDS" (except for the information under the subcaptions "Remaining Outstanding Bonds," "Issuance of Additional Debt," "Registered Owners' Remedies" and "Bankruptcy Limitation to Registered Owners' Remedies," as to which no opinion need be expressed) "TAXING PROCEDURES," "THE DISTRICT - General," "LEGAL MATTERS - Legal Opinions," and "CONTINUING DISCLOSURE," (except for the information under the subcaption "Compliance With Prior Undertakings," as to which no opinion need be expressed), and such firm is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Order and are correct as to matters of law. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the District by Disclosure Counsel, Winstead PC, Dallas, TX. The legal fee of such firms is contingent upon the sale and delivery of the Bonds.

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

In addition to serving as Bond Counsel, Coats Rose, P.C. also acts as counsel to the District on matters not related to the issuance of bonds.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge and belief of the certifying officers, threatened against the District contesting or attacking the Bonds; restraining or enjoining the authorization, 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 of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the titles of the then present officers of the Board.

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 EXEMPTION

In the opinion of Coats Rose, P.C., 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.

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of

proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The District has covenanted in the Bond Order that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Bond Order pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purpose, and in addition, will rely on representations by the District and the Initial Purchaser with respect to matters solely within the knowledge of the District and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Order or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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

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

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

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 2018 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 2018.

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (“MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system which is available at www.emma.msrb.org.

Annual Reports

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

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “DISTRICT DEBT” (except under the subheading “Estimated Overlapping Debt Statement”), “TAX DATA,” and “APPENDIX A - Financial Statements of the District.” The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2018.

The District will update and provide this information via EMMA within six months after the end of each of its fiscal years ending in or after June 30, 2018. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

The District’s current fiscal year end is June 30. Accordingly, it must provide updated information by December 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.

Specified 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 status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; 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 Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from EMMA

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through its EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance with Prior Undertakings

During the past five years, the District has complied in all material respects with its previous continuing disclosure undertakings made in accordance with SEC Rule 15c2-12, except as follows: The District defeased a portion of its Unlimited Tax Bonds, Series 2009 in 2016. No notice of defeasance was filed with respect to such defeasance at such time. The District filed a notice of defeasance on July 11, 2018.

During continuing disclosure years 2012 through the present, the District’s continuing disclosure filings did not explicitly include the table “Debt Service Fund Management Index.” However, information that was to be included in such table was included in the continuing disclosure filings under the table headings “Cash and Investment Balances,” “Debt Service Requirements,” and “Tax Adequacy for Debt Service.” The District has implemented procedures to ensure all required information is included in future Continuing Disclosure undertakings.

SOURCES OF INFORMATION

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, the Developer 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

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.

The information contained in this Official Statement relating to the District's financial statements, in particular, the information in Appendix A, has been provided by the Auditor and has been included herein in reliance upon their authority and knowledge of such party concerning the matters described therein.

Updating of Official Statement

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

Certification as to Official Statement

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

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 46 as of the date shown on the first page hereof.

/s/

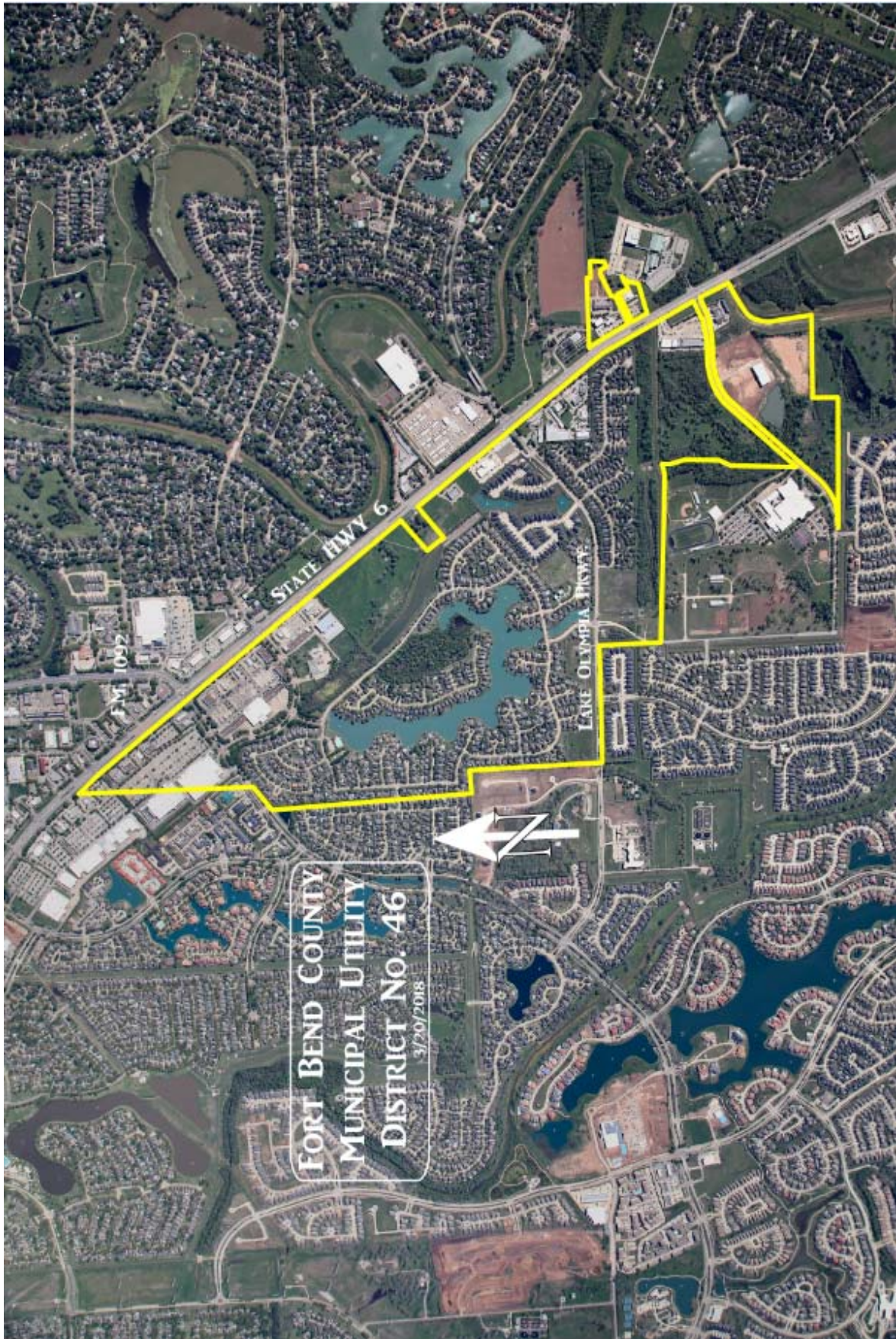
Sonal Shah, President, Board of Directors
Fort Bend County Municipal Utility District No. 46

ATTEST:

/s/

Shelley Winn, Secretary, Board of Directors
Fort Bend County Municipal Utility District No. 46

AERIAL PHOTOGRAPH
(March 20, 2018)



PHOTOGRAPHS

(April 2018)



Shopping Center



Single-Family Residential



Spectacular Kids Child Care



Single-Family Residential



Commercial Property Under Construction



Single-Family Residential



Kelsey Seybold Clinic Under Construction



Single-Family Residential

APPENDIX A

Annual Financial Report for the Year Ended June 30, 2017

FORT BEND COUNTY
MUNICIPAL UTILITY DISTRICT NO. 46
FORT BEND COUNTY, TEXAS
ANNUAL AUDIT REPORT
JUNE 30, 2017

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Roth & Eyring, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Fax 281-277-9484

September 27, 2017

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fort Bend County Municipal
Utility District No. 46
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each fund of Fort Bend County Municipal Utility District No. 46, as of and for the year ended June 30, 2017, which collectively comprise the District's 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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 assessment of the risk 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Fort Bend County Municipal Utility District No. 46 as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)**Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 8 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 22 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 23 to 41 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in 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 as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by our firm.

A handwritten signature in black ink that reads "North & Arising, PLLC". The script is cursive and fluid, with the company name written in a single line.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Fort Bend County Municipal Utility District No. 46 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2017.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. Other activities, such as garbage collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position*, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. 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 or governmental statutes or regulations.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

Financial Analysis of the District as a Whole

Financial analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities and does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Current and other assets	\$ 7,688,343	\$ 7,252,543	\$ 435,800
Capital assets	<u>20,702,551</u>	<u>18,743,396</u>	<u>1,959,155</u>
Total assets	<u>28,390,894</u>	<u>25,995,939</u>	<u>2,394,955</u>
Long-term liabilities	14,927,303	13,736,142	1,191,161
Other liabilities	<u>239,040</u>	<u>317,822</u>	<u>(78,782)</u>
Total liabilities	<u>15,166,343</u>	<u>14,053,964</u>	<u>1,112,379</u>
Net position:			
Invested in capital assets, net of related debt	6,024,777	5,256,783	767,994
Restricted	5,476,511	5,292,662	183,849
Unrestricted	<u>1,723,263</u>	<u>1,392,530</u>	<u>330,733</u>
Total net position	<u>\$ 13,224,551</u>	<u>\$ 11,941,975</u>	<u>\$ 1,282,576</u>

Summary of Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 2,395,025	\$ 2,202,218	\$ 192,807
Charges for services	932,598	905,105	27,493
Other revenues	<u>14,937</u>	<u>11,437</u>	<u>3,500</u>
Total revenues	<u>3,342,560</u>	<u>3,118,760</u>	<u>223,800</u>
Expenses:			
Service operations	1,556,666	1,554,524	2,142
Debt service	<u>503,318</u>	<u>504,698</u>	<u>(1,380)</u>
Total expenses	<u>2,059,984</u>	<u>2,059,222</u>	<u>762</u>
Change in net position	1,282,576	1,059,538	223,038
Net position, beginning of year	<u>11,941,975</u>	<u>10,882,437</u>	<u>1,059,538</u>
Net position, end of year	<u>\$ 13,224,551</u>	<u>\$ 11,941,975</u>	<u>\$ 1,282,576</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended June 30, 2017, were \$7,464,500, an increase of \$428,501 from the prior year.

The General Fund balance increased by \$324,763, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$99,387, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$4,351 from interest earnings.

General Fund Budgetary Highlights

The Board of Directors amended the budget during the fiscal year. The original budget adopted by the Board of Directors anticipated an increase in the fund balance during the year of \$181,407. During the fiscal year, the Board of Directors adopted an amended budget which anticipated an increase in the fund balance during the year of \$308,836. The changes from the original budget to the final budget were due to increases in estimated maintenance tax collections and surface water revenues and expenditures.

The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 22 of this report. The budgetary fund balance as of June 30, 2017, was expected to be \$1,694,304 and the actual end of year fund balance was \$1,710,231.

Capital Asset and Debt Administration

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows:

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Land	\$ 2,713,939	\$ 2,713,939	\$ 0
Construction in progress	2,404,623	0	2,404,623
Detention ponds	3,843,887	3,843,887	0
Water facilities	3,068,226	3,220,180	(151,954)
Sewer facilities	4,738,944	4,899,766	(160,822)
Drainage facilities	3,932,932	4,065,624	(132,692)
Totals	<u>\$ 20,702,551</u>	<u>\$ 18,743,396</u>	<u>\$ 1,959,155</u>

Changes to capital assets during the fiscal year ended June 30, 2017, are summarized as follows:

Additions:

Water, sewer and drainage construction by developer	\$ 2,404,623
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Decreases:

Depreciation	<u>(445,468)</u>
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Net change to capital assets	<u>\$ 1,959,155</u>
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Debt

Changes in the bonded debt position of the District during the fiscal year ended June 30, 2017, are summarized as follows:

Bonded debt payable, beginning of year	\$ 13,850,000
Refunding bonds sold	4,740,000
Bonds refunded	(4,460,000)
Bonds paid	<u>(1,350,000)</u>
Bonded debt payable, end of year	<u>\$ 12,780,000</u>

At June 30, 2017, the District had \$8,150,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District and \$105,000 of bonds authorized but unissued for Park Facilities.

On August 16, 2016, the District issued \$4,740,000 in unlimited tax refunding bonds to refund \$4,460,000 of outstanding Series 2006 and 2009 bonds. The net proceeds of \$4,721,821 (after payment of \$123,150 in underwriting fees and other issuance costs plus the District's contribution of \$104,972) were used to call and retire the refunded Series 2006 bonds on September 15, 2016 and to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded Series 2009 bonds which will be called and retired on September 19, 2018. As a result, the refunded bonds are considered defeased and the liability for these bonds has been removed from the financial statements as of the date of refunding.

The District refunded the bonds to reduce total debt service payments over future years by approximately \$344,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$312,000.

The District's Series 2009 and 2012 bonds have an underlying rating of BBB+ from Standard & Poor's. The Series 2014 bonds have an underlying rating of A2 from Moody's. The Series 2012 and 2014 bonds are insured by Assured Guaranty Municipal Corp., the Series 2006 bonds are insured by Ambac Assurance Corporation and the Series 2009 bonds are insured by Assured Guaranty Corp. The insured rating for the Series 2009, 2012 and 2014 bonds is AA by Standard & Poor's. The insured rating of the Series 2014 bonds is A2 by Moody's. The Series 2006 and 2016 bonds are not rated. There was no change in the bond ratings during the fiscal year ended June 30, 2017.

As further described in Note 5 of the notes to the financial statements, a developer within the District is constructing water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. At June 30, 2017, the estimated amount due to the developer was \$2,404,623.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$20,660,000 for the 2016 tax year (approximately 9%) due to the addition of taxable property and the increase in average valuations on existing property within the District.

Relationship to the City of Missouri City

The District lies entirely within the city limits of the City of Missouri City.

Water Supply Issues

The District is within the boundaries of the Fort Bend Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. On September 24, 2003, the Subsidence District issued a District Regulatory Plan (the "Plan") to reduce groundwater withdrawal through conversion to surface water or other alternative water sources in certain areas within the Subsidence District's jurisdiction. Under the Plan, the District was required to have a groundwater reduction plan ("GRP") approved by the Subsidence District by the beginning date of the District's permit term in 2008, or pay a disincentive fee for any groundwater withdrawn in excess of 40% of the District's total water demand. Additional disincentive fees would be imposed under the Plan if the District's groundwater withdrawal exceeds 70% of the District's total water demand beginning January 2014, and exceeds 40% of the District's total water demand beginning January of 2025.

The District has opted to become part of the City of Missouri City's (the "City") GRP pursuant to a contract entered into between the District and the City. As a participant in the City's GRP, the District has complied with all Subsidence District requirements in regard to the conversion to surface water, but is obligated to pay to the City a groundwater withdrawal fee for all groundwater produced and used by the District and a water purchase fee for any water actually purchased from the City by the District. As of June 30, 2017, the groundwater withdrawal fee was \$1.65 and the water purchase fee was \$2.12 per 1,000 gallons. The fee is expected to increase in the future.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2017

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 1,402,865	\$ 2,597,149	\$ 2,659,690	\$ 6,659,704	\$	\$ 6,659,704
Certificates of deposit, at cost, Note 7	245,000	488,104		733,104		733,104
Temporary investments, at cost, Note 7	44,420	5,522		49,942		49,942
Receivables:						
Property taxes	13,032	62,551		75,583		75,583
Accrued penalty and interest on property taxes				0	17,785	17,785
Service accounts	103,020			103,020		103,020
Accrued interest	270	1,153		1,423		1,423
Other	16,919			16,919		16,919
Due from other fund		5,028		5,028	(5,028)	0
Maintenance taxes collected not yet transferred from other fund	2,197			2,197	(2,197)	0
Prepaid expenditures	11,866			11,866		11,866
Operating reserve at joint plant, Note 11	18,997			18,997		18,997
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	8,962,449	8,962,449
Depreciable capital assets				0	11,740,102	11,740,102
Total assets	\$ 1,858,586	\$ 3,159,507	\$ 2,659,690	\$ 7,677,783	20,713,111	28,390,894
LIABILITIES						
Accounts payable	\$ 58,411	\$ 180	\$	\$ 58,591		58,591
Accrued interest payable				0	108,565	108,565
Customer deposits	71,884			71,884		71,884
Due to other fund	5,028			5,028	(5,028)	0
Maintenance taxes collected not yet transferred to other fund		2,197		2,197	(2,197)	0
Long-term liabilities, Note 5:						
Due within one year				0	1,401,766	1,401,766
Due in more than one year				0	13,525,537	13,525,537
Total liabilities	135,323	2,377	0	137,700	15,028,643	15,166,343
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	13,032	62,551	0	75,583	(75,583)	0
FUND BALANCES / NET POSITION						
Fund balances:						
Nonspendable:						
Operating reserve at joint plant, Note 11	18,997			18,997	(18,997)	0
Restricted for future construction, Note 7			249,529	249,529	(249,529)	0
Assigned to:						
Debt service		3,094,579		3,094,579	(3,094,579)	0
Capital projects			2,410,161	2,410,161	(2,410,161)	0
Unassigned	1,691,234			1,691,234	(1,691,234)	0
Total fund balances	1,710,231	3,094,579	2,659,690	7,464,500	(7,464,500)	0
Total liabilities, deferred inflows, and fund balances	\$ 1,858,586	\$ 3,159,507	\$ 2,659,690	\$ 7,677,783		
Net position:						
Invested in capital assets, net of related debt					6,024,777	6,024,777
Restricted for debt service					3,066,350	3,066,350
Restricted for capital projects					2,410,161	2,410,161
Unrestricted					1,723,263	1,723,263
Total net position					\$ 13,224,551	\$ 13,224,551

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 469,522	\$ 1,883,346	\$	\$ 2,352,868	\$ 27,710	\$ 2,380,578
Water service	261,181			261,181		261,181
Sewer service	313,451			313,451		313,451
Surface water fees, Note 11	246,088			246,088		246,088
FBISD payments, Note 9	4,225			4,225		4,225
Penalty, interest and other	25,078	8,724		33,802	5,723	39,525
Tap connection and inspection fees	82,575			82,575		82,575
Interest on deposits and investments	3,566	7,020	4,351	14,937		14,937
Total revenues	<u>1,405,686</u>	<u>1,899,090</u>	<u>4,351</u>	<u>3,309,127</u>	<u>33,433</u>	<u>3,342,560</u>
EXPENDITURES / EXPENSES						
Service operations:						
Purchased services, Note 11	79,225			79,225		79,225
Professional fees	132,428			132,428		132,428
Contracted services	46,161	26,391		72,552		72,552
Utilities	41,219			41,219		41,219
Surface water fees, Note 11	263,597			263,597		263,597
Repairs and maintenance	279,872			279,872		279,872
Other operating expenditures	46,371			46,371		46,371
Garbage disposal	101,646			101,646		101,646
Administrative expenditures	66,656	3,884		70,540		70,540
Depreciation				0	445,468	445,468
Net contractual payment to other district, Note 10	6,590			6,590		6,590
Capital outlay / non-capital outlay	17,158			17,158		17,158
Debt service:						
Principal retirement		1,350,000		1,350,000	(1,350,000)	0
Refunding cont. / bonds issue exp.		104,972		104,972	18,178	123,150
Interest and fees		314,456		314,456	65,712	380,168
Total expenditures / expenses	<u>1,080,923</u>	<u>1,799,703</u>	<u>0</u>	<u>2,880,626</u>	<u>(820,642)</u>	<u>2,059,984</u>
Excess (deficiency) of revenues over expenditures	<u>324,763</u>	<u>99,387</u>	<u>4,351</u>	<u>428,501</u>	<u>854,075</u>	<u>1,282,576</u>
OTHER FINANCING SOURCES (USES)						
Bonds issued, Note 5		4,740,000		4,740,000	(4,740,000)	0
Refunding bond issuance expenditures, Note 5		(18,178)		(18,178)	18,178	0
Payment to refunding escrow agent, Note 5		(4,721,822)		(4,721,822)	4,721,822	0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances / net position	324,763	99,387	4,351	428,501	854,075	1,282,576
Beginning of year	<u>1,385,468</u>	<u>2,995,192</u>	<u>2,655,339</u>	<u>7,035,999</u>	<u>4,905,976</u>	<u>11,941,975</u>
End of year	<u>\$ 1,710,231</u>	<u>\$ 3,094,579</u>	<u>\$ 2,659,690</u>	<u>\$ 7,464,500</u>	<u>\$ 5,760,051</u>	<u>\$ 13,224,551</u>

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46NOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2017

NOTE 1: REPORTING ENTITY

Fort Bend County Municipal Utility District No. 46 (the "District") was created by the Texas Water Commission (now the Texas Commission on Environmental Quality) on January 25, 1984, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on February 2, 1984, and the first bonds were sold on September 4, 1985. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services and maintain recreational facilities. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$10,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures of the fund from which they are paid.

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 7,464,500
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		20,702,551
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (12,780,000)	
Less: Deferred charge on refunding (to be amortized as interest expense)	321,930	
Add: Issuance premium, net of discount (to be amortized as interest expense)	(64,610)	
Due to developer	<u>(2,404,623)</u>	(14,927,303)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	17,785	
Uncollected property taxes	<u>75,583</u>	93,368
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(108,565)</u>
Net position, end of year		<u>\$ 13,224,551</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		\$ 428,501
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Depreciation		(445,468)
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Bonds issued	\$ (4,740,000)	
Principal reduction	1,350,000	
Payment to escrow agent for refunding	<u>4,721,822</u>	1,331,822
The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Refunding charges	(44,366)	
Issuance discount	<u>(73,994)</u>	(118,360)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Accrued penalty and interest on property taxes receivable	5,723	
Uncollected property taxes	<u>27,710</u>	33,433
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:		
Accrued interest		<u>52,648</u>
Change in net position		<u><u>\$ 1,282,576</u></u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 2,713,939	\$	\$	\$ 2,713,939
Construction in progress	0	2,404,623		2,404,623
Detention ponds	<u>3,843,887</u>			<u>3,843,887</u>
Total capital assets not being depreciated	<u>6,557,826</u>	<u>2,404,623</u>	<u>0</u>	<u>8,962,449</u>
Depreciable capital assets:				
Water system	5,199,474			5,199,474
Sewer system	6,489,191			6,489,191
Drainage system	<u>5,971,124</u>			<u>5,971,124</u>
Total depreciable capital assets	<u>17,659,789</u>	<u>0</u>	<u>0</u>	<u>17,659,789</u>
Less accumulated depreciation for:				
Water system	(1,979,294)	(151,954)		(2,131,248)
Sewer system	(1,589,425)	(160,822)		(1,750,247)
Drainage system	<u>(1,905,500)</u>	<u>(132,692)</u>		<u>(2,038,192)</u>
Total accumulated depreciation	<u>(5,474,219)</u>	<u>(445,468)</u>	<u>0</u>	<u>(5,919,687)</u>
Total depreciable capital assets, net	<u>12,185,570</u>	<u>(445,468)</u>	<u>0</u>	<u>11,740,102</u>
Total capital assets, net	<u>\$ 18,743,396</u>	<u>\$ 1,959,155</u>	<u>\$ 0</u>	<u>\$ 20,702,551</u>
Changes to capital assets:				
Increase in liability to developer for construction		\$ 2,404,623	\$	
Less depreciation expense for the fiscal year		<u>(445,468)</u>		
Net increases / decreases to capital assets		<u>\$ 1,959,155</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES

Long-term liability activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 13,850,000	\$ 4,740,000	\$ 5,810,000	\$ 12,780,000	\$ 1,470,000
Less deferred amounts:					
For issuance (discounts) premiums	(9,384)		(73,994)	64,610	1,415
Refunding charges	<u>(104,474)</u>	<u>(261,822)</u>	<u>(44,366)</u>	<u>(321,930)</u>	<u>(69,649)</u>
Total bonds payable	13,736,142	4,478,178	5,691,640	12,522,680	1,401,766
Due to developers (see below)	<u>0</u>	<u>2,404,623</u>	<u>0</u>	<u>2,404,623</u>	<u>-----</u>
Total long-term liabilities	<u>\$ 13,736,142</u>	<u>\$ 6,882,801</u>	<u>\$ 5,691,640</u>	<u>\$ 14,927,303</u>	<u>\$ 1,401,766</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Bonds payable, beginning of year	\$ 13,850,000
Bonds paid	(1,350,000)
Refunding bonds sold	4,740,000
Bonds refunded	<u>(4,460,000)</u>
Bonds payable, end of year	<u>\$ 12,780,000</u>

Developer Construction Commitments and Liabilities

A developer within the District is currently constructing certain facilities within the District's boundaries. The District has agreed to reimburse the developer for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The engineer stated that cost of the construction in progress at June 30, 2017, was \$2,404,623. These amounts have been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

As of June 30, 2017, the debt service requirements on the bonds payable were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,470,000	\$ 302,352	\$ 1,772,352
2019	1,520,000	259,390	1,779,390
2020	1,565,000	220,226	1,785,226
2021	1,605,000	177,304	1,782,304
2022	1,650,000	135,857	1,785,857
2023 - 2027	<u>4,970,000</u>	<u>201,875</u>	<u>5,171,875</u>
	<u>\$ 12,780,000</u>	<u>\$ 1,297,004</u>	<u>\$ 14,077,004</u>

Bonds voted	\$ 32,215,000
Bonds approved for sale and sold	24,065,000
Bonds voted and not issued	8,150,000
Park bonds voted	2,300,000
Park bonds approved for sale and sold	2,195,000
Park bonds voted and not issued	105,000

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The bond issues payable at June 30, 2017 were as follows:

	<u>Refunding Series 2006</u>	<u>Series 2009</u>	
Amounts outstanding, June 30, 2017	\$365,000	\$1,715,000	
Interest rates	4.00%	4.10% to 4.625%	
Maturity dates, serially beginning/ending	September 1, 2017	September 1, 2017/2020	
Interest payment dates	September 1	September 1/March 1	
Callable dates	September 1, 2016*	September 1, 2018*	
	<u>Refunding Series 2012</u>	<u>Refunding Series 2014</u>	<u>Refunding Series 2016**</u>
Amounts outstanding, June 30, 2017	\$2,045,000	\$3,915,000	\$4,740,000
Interest rates	2.00% to 3.00%	2.00% to 3.00%	1.66%
Maturity dates, serially beginning/ending	September 1, 2017/2026	September 1, 2017/2023	September 1, 2017/2024
Interest payment dates	September 1/March 1	September 1/March 1	September 1/March 1
Callable dates	September 1, 2019*	Not Callable	Not Callable

*Or any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District.

**On August 16, 2016, the District issued \$4,740,000 in unlimited tax refunding bonds to refund \$4,460,000 of outstanding Series 2006 and 2009 bonds. The net proceeds of \$4,721,821 (after payment of \$123,150 in underwriting fees and other issuance costs plus the District's contribution of \$104,972) were used to call and retire the refunded Series 2006 bonds on September 15, 2016 and to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded Series 2009 bonds which will be called and retired on September 19, 2018. As a result, the refunded bonds are considered defeased and the liability for these bonds has been removed from the financial statements as of the date of refunding.

The District refunded the bonds to reduce total debt service payments over future years by approximately \$344,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$312,000.

NOTE 6: PROPERTY TAXES

The Fort Bend Central Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county 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. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

At an election held May 26, 1984, the voters within the District authorized a maintenance tax not to exceed \$0.25 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On September 27, 2016, the District levied the following ad valorem taxes for the 2016 tax year on the adjusted taxable valuation of \$263,549,677:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.7200	\$ 1,897,558
Maintenance	<u>0.1800</u>	<u>474,389</u>
	<u>\$ 0.9000</u>	<u>\$ 2,371,947</u>

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2016 tax year total property tax levy	\$ 2,371,947
Appraisal district adjustments to prior year taxes	<u>8,631</u>
Statement of Activities property tax revenues	<u>\$ 2,380,578</u>

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and in TexPool, a local government investment pool sponsored by the State Comptroller. TexPool is rated AAAM by Standard & Poor's.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$7,392,808 and the bank balance was \$7,496,494. Of the bank balance, \$1,081,119 was covered by federal insurance and \$6,415,375 was covered by was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Atlanta.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$49,942.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deposits and temporary investments restricted by state statutes and Bond Orders:

Debt Service Fund

For payment of debt principal and interest,
paying agent fees and costs of assessing and
collecting taxes:

Cash	\$ 2,597,149
Certificates of deposit	488,104
Temporary investments	<u>5,522</u>
	<u>\$ 3,090,775</u>

Capital Projects Fund

For construction of capital assets:

Cash	<u>\$ 2,659,690</u>
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At June 30, 2017, the Texas Commission on Environmental Quality required that the District escrow \$249,529 from the proceeds of its Series 2005 issue. At the balance sheet date, these funds were invested in interest-bearing cash accounts.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At June 30, 2017, the District had physical damage and boiler and machinery coverage of \$3,252,127, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, pollution liability coverage of \$1,000,000, umbrella liability coverage of \$1,000,000, consultant's crime coverage of \$10,000 and a tax assessor-collector bond of \$10,000.

NOTE 9: CONTRACTS WITH SCHOOL DISTRICT

Water Supply Agreement

On May 13, 1992, amended December 8, 2003, the District and Fort Bend Independent School District ("FBISD") entered into a 40 year water supply agreement for the supply of potable water to a high school within FBISD. Under the terms of the contract, FBISD paid for an undivided 11.16% interest in the District's water plant. FBISD pays the District's commercial rates for water used under this contract.

Wastewater Service Agreement

On May 13, 1992, amended effective December 8, 2003, the District and FBISD entered into a 40 year wastewater service agreement for a high school. The contract provides that FBISD will have 25,000 gpd of the District's reserved 450,000 gpd capacity (5.56%) in the regional wastewater treatment facilities operated by the City of Missouri City (see Note 12). FBISD is to pay 5.56% of the operating costs billed to the District by the City plus the District's commercial rates for sewer services. FBISD's share of the operating costs was \$4,225 for the fiscal year ended June 30, 2017.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 10: CONTRACTS WITH OTHER DISTRICT

Regional Water Supply Contract

On April 15, 2005 (amended and restated September 28, 2015), the District and Fort Bend County Municipal Utility District No 115 ("No. 115") entered into a 40 year Joint Water Supply Contract (now a 40 year Regional Water Supply Agreement). Under the terms of the 2015 contract, No. 115 will hold legal title and operate joint Water Supply Plant No. 1 (the "Plant") and each participant in the Plant will have an undivided, equitable interest in the Plant based upon its capacity in the Plant. The District has purchased 600 Equivalent Single Family Connections (ESFCs) (27.15%) in the Plant from No. 115.

Operating costs of the Plant are to be shared by the participating districts in proportion to the metered usage of water from the plant. The District discontinued regular usage of water from the Plant in 2014 and will use the Plant as a source of emergency water supply in the future. The 2015 contract provides that the District shall not be obligated to contribute toward the operating reserve of the Plant if the District has not received any water from the regional plant system or has only temporarily received water for a cumulative period of less than 12 weeks during the prior fiscal year ended September 30. The District did not use water from the Plant during the fiscal year ended June 30, 2017. At June 30, 2017, the District had not contributed to the operating reserve for the Plant.

Water, Wastewater and Drainage Service Agreement

On September 26, 2000, the District and No. 115 entered into a Water, Wastewater and Drainage Service Agreement. The term of the agreement is 99 years and is automatically renewed for one year periods. The purpose of the agreement is to provide services to certain tracts of land within the boundaries of both districts. Each district is responsible for constructing and servicing the facilities to serve a portion of the tracts. The districts have agreed to make tax equalization payments to each other based upon the valuation of the property within certain boundaries. During the fiscal year ended June 30, 2017, the District's net tax equalization payment payable by the General Fund to No. 115 was \$6,590.

NOTE 11: CONTRACTS WITH CITY OF MISSOURI CITY

Regional Wastewater Treatment Facilities Agreement

On May 20, 2002, the City Council of the City of Missouri City (the "City") approved a 40 year Regional Wastewater Treatment Facilities Agreement (the "Agreement") with the District. Under the terms of the Agreement, the District contributed its share of the construction of the regional wastewater treatment facilities and related lift station and collection facilities. The District's share of the operating costs of the regional sewage treatment plant for the fiscal year ended June 30, 2017 was \$79,225. At this date, the District had contributed \$18,997 for its share of the operating reserve for the plant.

Joint Groundwater Reduction Plan Participant Agreement

Effective July 1, 2008, the District entered into a Joint Groundwater Reduction Plan Participant Agreement (the "Agreement") with the City of Missouri City (the "City") in order to meet regulatory compliance requirements of the Fort Bend Subsidence District (the "Subsidence District"). The Agreement continues until December 31, 2058. Under the terms of the Agreement, the City is the manager of the Groundwater Reduction Plan (the "GRP") that includes the District as a participant. In order to achieve overall compliance with the Subsidence District regulation for reduction of groundwater use in Regulatory Area A, treated surface water will be supplied by the City to some of the participants in the GRP area in sufficient quantities to meet the requirements. Under the terms of the Agreement, the District will pay to the City a groundwater withdrawal fee for all groundwater produced and used by the District and a water purchase fee for any water actually purchased from the City by the District. As of June 30, 2017, the groundwater withdrawal fee was \$1.65 and the water purchase fee was \$2.12 per 1,000 gallons. The surface water pumpage fees payable by the District to the City for the fiscal year ended June 30, 2017, were \$216,175. The District billed its customers \$246,088 during the fiscal year to pay for the fees charged by the City.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 313,835	\$ 449,304	\$ 469,522	\$ 20,218
Water service	320,000	320,000	261,181	(58,819)
Sewer service	350,000	350,000	313,451	(36,549)
Surface water fees	200,000	256,000	246,088	(9,912)
FBISD payments	5,500	5,500	4,225	(1,275)
Penalty and other	12,000	12,000	25,078	13,078
Tap connection and inspection fees	125,000	125,000	82,575	(42,425)
Interest on deposits and investments	3,000	3,000	3,566	566
TOTAL REVENUES	1,329,335	1,520,804	1,405,686	(115,118)
EXPENDITURES				
Service operations:				
Purchased services	227,000	227,000	79,225	(147,775)
Professional fees	110,600	110,600	132,428	21,828
Contracted services	48,000	48,000	46,161	(1,839)
Utilities	60,000	60,000	41,219	(18,781)
Surface water fees	200,000	256,000	263,597	7,597
Repairs and maintenance	306,700	319,240	279,872	(39,368)
Other operating expenditures	25,600	25,600	46,371	20,771
Garbage disposal	102,000	97,200	101,646	4,446
Administrative expenditures	68,028	68,328	66,656	(1,672)
Net contractual payment to other district	0	0	6,590	6,590
Capital outlay	0	0	17,158	17,158
TOTAL EXPENDITURES	1,147,928	1,211,968	1,080,923	(131,045)
EXCESS REVENUES (EXPENSES)	181,407	308,836	324,763	15,927
FUND BALANCE, BEGINNING OF YEAR	1,385,468	1,385,468	1,385,468	0
FUND BALANCE, END OF YEAR	\$ 1,566,875	\$ 1,694,304	\$ 1,710,231	\$ 15,927

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46

SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

JUNE 30, 2017

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46

SCHEDULE OF SERVICES AND RATES

JUNE 30, 2017

1. Services Provided by the District during the Fiscal Year:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Security
<input checked="" type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other		

2. Retail Service Providers

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 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$10.00	5,000	N	\$1.00	5,001 to 10,000
				1.10	10,001 to 15,000
				1.25	15,001 to 20,000
				1.50	20,001 to 25,000
				1.75	25,001 to 30,000
				2.00	Over 30,000

WASTEWATER:	\$15.00	10,000	N	\$1.00	Over 10,000
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SURCHARGE: \$2.33 per 1,000 gallons of water used – City of Missouri City pumpage fees.

District employs winter averaging for wastewater usage: Yes ☐ No ☒

Total charges per 10,000 gallons usage: Water: \$15.00 Wastewater: \$15.00 Surcharge: \$23.30

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46

SCHEDULE OF SERVICES AND RATES (Continued)

JUNE 30, 2017

b. Water and Wastewater Retail Connections (unaudited):

Meter Size	Total Connections	Active Connections	ESFC* Factor	Active ESFCs
Unmetered	0	0	1.0	0
< or = 3/4"	678	672	1.0	672
1"	21	21	2.5	53
1-1/2"	13	12	5.0	60
2"	54	54	8.0	432
3"	1	1	15.0	15
4"	1	1	25.0	25
6"	0	0	50.0	0
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	768	761		1,257
Total Wastewater	720	714	1.0	714

*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited): 131,491
Gallons billed to customers (unaudited): 116,623

Water Accountability Ratio
(Gallons billed/ gallons pumped): 89%

4. Standby Fees (authorized only under TWC Section 49.231):

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: _____

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46

EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Purchased sewer services	\$ 79,225	\$	\$	\$ 79,225
Professional fees:				
Auditing	10,600			10,600
Legal	33,851			33,851
Engineering	87,977			87,977
	<u>132,428</u>	<u>0</u>	<u>0</u>	<u>132,428</u>
Contracted services:				
Bookkeeping	18,130			18,130
Operation and billing	28,031			28,031
Tax assessor-collector		11,272		11,272
Central appraisal district		15,119		15,119
	<u>46,161</u>	<u>26,391</u>	<u>0</u>	<u>72,552</u>
Utilities	<u>41,219</u>	<u>0</u>	<u>0</u>	<u>41,219</u>
Surface water fees:				
Ground water withdrawal fees	55,354			55,354
Water purchase fees	208,243			208,243
	<u>263,597</u>	<u>0</u>	<u>0</u>	<u>263,597</u>
Repairs and maintenance	<u>279,872</u>	<u>0</u>	<u>0</u>	<u>279,872</u>
Other operating expenditures:				
Chemicals	5,670			5,670
Laboratory costs	2,730			2,730
Sewer inspection costs	35,160			35,160
TCEQ assessment	2,811			2,811
	<u>46,371</u>	<u>0</u>	<u>0</u>	<u>46,371</u>
Garbage disposal	<u>101,646</u>	<u>0</u>	<u>0</u>	<u>101,646</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46

EXPENDITURES (Continued)

FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Administrative expenditures:				
Director's fees	\$ 15,450	\$	\$	\$ 15,450
Office supplies and postage	17,602			17,602
Insurance	14,988	100		15,088
Permit fees	3,322			3,322
Other	15,294	3,784		19,078
	<u>66,656</u>	<u>3,884</u>	<u>0</u>	<u>70,540</u>
Net contractual payment to other district	<u>6,590</u>	<u>0</u>	<u>0</u>	<u>6,590</u>
CAPITAL OUTLAY				
Tap connection costs	<u>17,158</u>	<u>0</u>	<u>0</u>	<u>17,158</u>
DEBT SERVICE				
Principal retirement	<u>0</u>	1,350,000	<u>0</u>	<u>1,350,000</u>
Refunding contribution	<u>0</u>	104,972	<u>0</u>	<u>104,972</u>
Interest and fees:				
Interest		312,056		312,056
Paying agent fees		2,400		2,400
	<u>0</u>	<u>314,456</u>	<u>0</u>	<u>314,456</u>
TOTAL EXPENDITURES	<u>\$ 1,080,923</u>	<u>\$ 1,799,703</u>	<u>\$ 0</u>	<u>\$ 2,880,626</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	\$ 917,613	\$ 1,899,103	\$ 4,351	\$ 2,821,067
Maintenance tax receipts		469,522		469,522
Transfer of maintenance taxes	464,302			464,302
Proceeds from sale of bonds	5,028	4,734,972		4,740,000
Overpayments from taxpayers		<u>13,263</u>		<u>13,263</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	<u>1,386,943</u>	<u>7,116,860</u>	<u>4,351</u>	<u>8,508,154</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	1,060,482	30,275		1,090,757
Capital outlay	47,189			47,189
Debt service		1,769,428		1,769,428
Transfer of maintenance taxes		464,302		464,302
Decrease in customer deposits	524			524
Payment to refunding escrow agent		4,721,822		4,721,822
Refunding bond issuance expenditures		18,178		18,178
Refund of taxpayer overpayments		<u>13,173</u>		<u>13,173</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	<u>1,108,195</u>	<u>7,017,178</u>	<u>0</u>	<u>8,125,373</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	278,748	99,682	4,351	382,781
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>1,413,537</u>	<u>2,991,093</u>	<u>2,655,339</u>	<u>7,059,969</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 1,692,285</u>	<u>\$ 3,090,775</u>	<u>\$ 2,659,690</u>	<u>\$ 7,442,750</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

JUNE 30, 2017

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of deposit				
No. 531365	0.60%	4/24/18	<u>\$ 245,000</u>	<u>\$ 270</u>
TexPool				
No. 2570100002	Market	On demand	<u>\$ 44,420</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
Certificates of deposit				
No. 448639	0.90%	3/14/18	<u>\$ 240,000</u>	<u>\$ 639</u>
No. 9009010382	0.70%	3/14/18	<u>248,104</u>	<u>514</u>
			<u>\$ 488,104</u>	<u>\$ 1,153</u>
TexPool				
No. 2570100005	Market	On demand	<u>\$ 5,522</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 783,046</u>	<u>\$ 1,423</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 7,062	\$ 40,811
Additions and corrections to prior year taxes	<u>1,103</u>	<u>7,528</u>
Adjusted receivable, beginning of year	8,165	48,339
2016 ADJUSTED TAX ROLL	<u>474,389</u>	<u>1,897,558</u>
Total to be accounted for	482,554	1,945,897
Tax collections: Current tax year	(466,432)	(1,865,729)
Prior tax years	<u>(3,090)</u>	<u>(17,617)</u>
RECEIVABLE, END OF YEAR	<u>\$ 13,032</u>	<u>\$ 62,551</u>
RECEIVABLE, BY TAX YEAR		
2013	\$ 68	\$ 868
2014	2,178	13,415
2015	2,829	16,439
2016	<u>7,957</u>	<u>31,829</u>
RECEIVABLE, END OF YEAR	<u>\$ 13,032</u>	<u>\$ 62,551</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED JUNE 30, 2017

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Land	\$ 76,799,055	\$ 76,430,455	\$ 71,591,775	\$ 71,344,515
Improvements	192,199,667	177,121,705	155,172,478	139,398,655
Personal property	16,854,360	15,391,790	14,403,372	12,975,501
Less exemptions	<u>(22,303,405)</u>	<u>(26,055,288)</u>	<u>(8,910,995)</u>	<u>(6,886,340)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 263,549,677</u>	 <u>\$ 242,888,662</u>	 <u>\$ 232,256,630</u>	 <u>\$ 216,832,331</u>
 TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.72000	\$ 0.77000	\$ 0.77000	\$ 0.83000
Maintenance tax rates*	<u>0.18000</u>	<u>0.13500</u>	<u>0.12500</u>	<u>0.06500</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.90000</u>	 <u>\$ 0.90500</u>	 <u>\$ 0.89500</u>	 <u>\$ 0.89500</u>
 TAX ROLLS	 <u>\$ 2,371,947</u>	 <u>\$ 2,201,216</u>	 <u>\$ 2,078,697</u>	 <u>\$ 1,940,650</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED	 <u>98.3 %</u>	 <u>99.1 %</u>	 <u>99.3 %</u>	 <u>99.9 %</u>

*Maximum tax rate approved by voters on May 26, 1984: \$0.25

Maximum park maintenance tax rate approved by voters on November 2, 2010: \$0.10

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARSJUNE 30, 2017

<u>Series 2006</u>			
<u>Due During Fiscal Years Ending June 30</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2018	\$ 365,000	\$ 7,300	\$ 372,300
 <u>Series 2009</u>			
<u>Due During Fiscal Years Ending June 30</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2018	\$ 390,000	\$ 65,473	\$ 455,473
2019	415,000	47,118	462,118
2020	440,000	28,760	468,760
2021	470,000	9,870	479,870
TOTALS	\$ 1,715,000	\$ 151,221	\$ 1,866,221

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

JUNE 30, 2017

<u>Series 2012</u>			
<u>Due During Fiscal Years Ending June 30</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2018	\$ 140,000	\$ 54,717	\$ 194,717
2019	130,000	52,017	182,017
2020	120,000	49,457	169,457
2021	110,000	46,877	156,877
2022	95,000	44,251	139,251
2023	70,000	41,982	111,982
2024	380,000	35,510	415,510
2025	500,000	22,500	522,500
2026	250,000	11,250	261,250
2027	250,000	3,750	253,750
TOTALS	<u>\$ 2,045,000</u>	<u>\$ 362,311</u>	<u>\$ 2,407,311</u>

<u>Series 2014</u>			
<u>Due During Fiscal Years Ending June 30</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2018	\$ 500,000	\$ 96,800	\$ 596,800
2019	525,000	86,550	611,550
2020	540,000	75,900	615,900
2021	550,000	62,250	612,250
2022	575,000	45,375	620,375
2023	600,000	27,750	627,750
2024	625,000	9,375	634,375
TOTALS	<u>\$ 3,915,000</u>	<u>\$ 404,000</u>	<u>\$ 4,319,000</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
JUNE 30, 2017

<u>Due During Fiscal Years Ending June 30</u>	<u>Series 2016</u>		
	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2018	\$ 75,000	\$ 78,062	\$ 153,062
2019	450,000	73,705	523,705
2020	465,000	66,109	531,109
2021	475,000	58,307	533,307
2022	980,000	46,231	1,026,231
2023	1,010,000	29,714	1,039,714
2024	720,000	15,354	735,354
2025	565,000	4,690	569,690
TOTALS	<u>\$ 4,740,000</u>	<u>\$ 372,172</u>	<u>\$ 5,112,172</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

JUNE 30, 2017

Due During Fiscal Years Ending June 30	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total
2018	\$ 1,470,000	\$ 302,352	\$ 1,772,352
2019	1,520,000	259,390	1,779,390
2020	1,565,000	220,226	1,785,226
2021	1,605,000	177,304	1,782,304
2022	1,650,000	135,857	1,785,857
2023	1,680,000	99,446	1,779,446
2024	1,725,000	60,239	1,785,239
2025	1,065,000	27,190	1,092,190
2026	250,000	11,250	261,250
2027	250,000	3,750	253,750
TOTALS	<u>\$ 12,780,000</u>	<u>\$ 1,297,004</u>	<u>\$ 14,077,004</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

FOR THE YEAR ENDED JUNE 30, 2017

	<u>(1)</u>	<u>(2)</u>
Bond Series:	2006	2009
Interest Rate:	4.00%	4.10% to 4.625%
Dates Interest Payable:	September 1	September 1/ March 1
Maturity Dates:	September 1, 2017	September 1, 2017/2020
Bonds Outstanding at Beginning of Current Year	\$ 2,990,000	\$ 4,260,000
Less Retirements	<u>(2,625,000)</u>	<u>(2,545,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 365,000</u>	<u>\$ 1,715,000</u>
Current Year Interest Paid	<u>\$ 21,500</u>	<u>\$ 83,618</u>

Bond Descriptions and Original Amount of Issue

- (1) Fort Bend County Municipal Utility District No. 46 Unlimited Tax Refunding Bonds, Series 2006 (\$5,590,000)
- (2) Fort Bend County Municipal Utility District No. 46 Unlimited Tax Bonds, Series 2009 (\$6,300,000)

Paying Agent/Registrar

- (1) (2) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax and Refunding Bonds</u>	<u>Other (Park) Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 32,215,000	\$ 2,300,000	\$ 0
Amount Issued:	24,065,000	2,195,000	
Remaining to be Issued:	8,150,000	105,000	

Net Debt Service Fund deposits and investments balances as of June 30, 2017:	\$3,094,579
Average annual debt service payment for remaining term of all debt:	1,407,700

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)
FOR THE YEAR ENDED JUNE 30, 2017

	<u>(3)</u>	<u>(4)</u>	<u>(5)</u>	<u>Totals</u>
Bond Series:	2012	2014	2016	
Interest Rate:	2.00% to 3.00%	2.00% to 3.00%	1.66%	
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	September 1/ March 1	
Maturity Dates:	September 1, 2017/2026	September 1, 2017/2023	September 1, 2017/2024	
Bonds Outstanding at Beginning of Current Year	\$ 2,195,000	\$ 4,405,000	\$ 0	\$ 13,850,000
Add Bonds Sold			4,740,000	4,740,000
Less Retirements	<u>(150,000)</u>	<u>(490,000)</u>		<u>(5,810,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 2,045,000</u>	<u>\$ 3,915,000</u>	<u>\$ 4,740,000</u>	<u>\$ 12,780,000</u>
Current Year Interest Paid	<u>\$ 57,618</u>	<u>\$ 106,700</u>	<u>\$ 42,620</u>	<u>\$ 312,056</u>

Bond Descriptions and Original Amount of Issue

- (3) Fort Bend County Municipal Utility District No. 46 Unlimited Tax Park Bonds, Series 2012
(\$2,195,000)
- (4) Fort Bend County Municipal Utility District No. 46 Unlimited Tax Refunding Bonds, Series 2014
(\$4,430,000)
- (5) Fort Bend County Municipal Utility District No. 46 Unlimited Tax Refunding Bonds, Series 2016
(\$4,740,000)

Paying Agent/Registrar

- (3) (4) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
- (5) JPMorgan Chase Bank, N.A.,

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED JUNE 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
REVENUES										
Property taxes	\$ 469,522	\$ 319,076	\$ 282,713	\$ 144,155	\$ 142,871	33.4 %	26.0 %	24.8 %	15.4 %	14.8 %
Water service	261,181	266,017	239,320	266,141	275,796	18.6	21.7	21.0	28.4	28.7
Sewer service	313,451	336,556	362,634	337,809	215,788	22.2	27.3	31.7	35.9	22.4
Garbage service	0	0	0	0	126,341	0.0	0.0	0.0	0.0	13.1
Surface water fees	246,088	160,705	127,848	131,026	123,831	17.5	13.1	11.2	14.0	12.9
FBISD payments	4,225	4,244	4,617	4,923	4,906	0.3	0.3	0.4	0.5	0.5
Penalty and other	25,078	31,333	25,269	50,137	19,840	1.8	2.6	2.2	5.3	2.1
Tap connection and inspection fees	82,575	106,250	95,564	0	46,157	5.9	8.7	8.4	0.0	4.8
Interest on deposits and investments	3,566	3,154	3,491	4,556	6,604	0.3	0.3	0.3	0.5	0.7
TOTAL REVENUES	1,405,686	1,227,335	1,141,456	938,747	962,134	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Service operations:										
Purchased services	79,225	76,767	143,635	220,957	130,372	5.6	6.3	12.6	23.6	13.6
Professional fees	132,428	109,499	227,172	117,468	169,117	9.4	8.9	19.9	12.5	17.6
Contracted services	46,161	44,587	43,576	40,459	41,528	3.3	3.6	3.8	4.3	4.3
Utilities	41,219	63,708	45,631	36,402	37,851	2.9	5.2	4.0	3.9	3.9
Surface water fees	263,597	216,175	181,617	190,712	184,171	18.8	17.6	15.9	20.3	19.1
Repairs and maintenance	279,872	298,013	197,760	182,572	218,377	20.0	24.3	17.3	19.4	22.6
Other operating expenditures	46,371	50,551	42,750	41,666	37,217	3.3	4.1	3.7	4.4	3.9
Garbage disposal	101,646	133,206	157,044	146,503	151,539	7.2	10.9	13.8	15.6	15.8
Administrative expenditures	66,656	49,209	39,567	34,271	37,363	4.7	4.0	3.5	3.7	3.9
Net contractual payment to other district	6,590	6,590	9,019	8,821	3,870	0.5	0.5	0.8	0.9	0.4
Capital outlay	17,158	424,674	171,897	13,900	33,567	1.2	34.6	15.1	1.5	3.5
TOTAL EXPENDITURES	1,080,923	1,472,979	1,259,668	1,033,731	1,044,972	76.9	120.0	110.4	110.1	108.6
EXCESS REVENUES (EXPENDITURES)	\$ 324,763	\$ (245,644)	\$ (118,212)	\$ (94,984)	\$ (82,838)	23.1 %	(20.0) %	(10.4) %	(10.1) %	(8.6) %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	761	735	705	698	702					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	714	689	656	661	650					

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED JUNE 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
REVENUES										
Property taxes	\$ 1,883,346	\$ 1,856,830	\$ 1,744,094	\$ 1,836,049	\$ 1,784,699	99.1 %	99.1 %	98.9 %	98.3 %	99.0 %
Penalty and interest	8,724	11,539	8,856	25,798	11,543	0.5	0.6	0.5	1.4	0.6
Accrued interest on bonds received at date of sale	0	0	5,605	0	0	0.0	0.0	0.3	0.0	0.0
Interest on deposits and investments	7,020	4,719	4,964	5,628	6,371	0.4	0.3	0.3	0.3	0.4
TOTAL REVENUES	<u>1,899,090</u>	<u>1,873,088</u>	<u>1,763,519</u>	<u>1,867,475</u>	<u>1,802,613</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Professional fees	0	0	913	7,425	3,405	0.0	0.0	0.1	0.4	0.2
Contracted services	26,391	23,882	24,117	23,186	21,605	1.4	1.3	1.4	1.2	1.2
Other expenditures	3,884	3,312	3,898	3,062	3,014	0.2	0.2	0.2	0.2	0.2
Debt service:										
Principal retirement	1,350,000	1,335,000	1,245,000	1,170,000	1,110,000	71.1	71.2	70.5	62.6	61.6
Refunding contribution	104,972	0	75,393	0	0	5.5	0.0	4.3	0.0	0.0
Interest and fees	<u>314,456</u>	<u>516,605</u>	<u>529,604</u>	<u>702,085</u>	<u>736,142</u>	<u>16.6</u>	<u>27.6</u>	<u>30.0</u>	<u>37.6</u>	<u>40.8</u>
TOTAL EXPENDITURES	<u>1,799,703</u>	<u>1,878,799</u>	<u>1,878,925</u>	<u>1,905,758</u>	<u>1,874,166</u>	<u>94.8</u>	<u>100.3</u>	<u>106.5</u>	<u>102.0</u>	<u>104.0</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 99,387</u>	<u>\$ (5,711)</u>	<u>\$ (115,406)</u>	<u>\$ (38,283)</u>	<u>\$ (71,553)</u>	<u>5.2 %</u>	<u>(0.3) %</u>	<u>(6.5) %</u>	<u>(2.0) %</u>	<u>(4.0) %</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSJUNE 30, 2017

Complete District Mailing Address: Fort Bend County Municipal Utility District No. 46
 c/o Coats Rose, P.C.
 9 Greenway Plaza, Suite 1100
 Houston, Texas 77046

District Business Telephone No.: 713-651-0111

Submission date of the most recent District Registration Form: May 25, 2017

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Ketan Inamdar c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1100 Houston, Texas 77046	Elected 5/06/17- 5/01/21	\$ 1,050	\$ 210	President
Sonal Shah c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1100 Houston, Texas 77046	Elected 5/09/15- 5/04/19	3,450	1,636	Vice President
Jennie Mussler c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1100 Houston, Texas 77046	Elected 5/09/15- 5/04/19	4,650	3,911	Secretary
Jobin John c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1100 Houston, Texas 77046	Elected 5/09/15- 5/04/19	1,350	73	Assistant Secretary
Shelley L. Winn c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1100 Houston, Texas 77046	Elected 5/06/17- 5/01/21	4,950	3,870	Assistant Secretary

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 46

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

JUNE 30, 2017

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Coats Rose, P.C. 9 Greenway Plaza, Suite 1100 Houston, Texas 77046	2/02/84	\$ 33,851 53,400 Bonds	Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	2/02/84	20,225 2,500 Bonds	Bookkeeper
Mary Jarmon 3401 Louisiana, Suite 400 Houston, Texas 77002	4/25/00	0	Investment Officer
Si Environmental, LLC 6420 Reading Road Rosenberg, Texas 77471	6/15/12	262,780	Operator
Century Engineering, Inc. 3030 South Gessner, Suite 100 Houston, Texas 77063	1/07/94	37,982	Engineer
Costello, Inc. 9990 Richmond, No. 450 N. Bldg. Houston, Texas 77042	4/28/15	49,995	Levee Engineer
Bob Leared 11111 Katy Freeway, Suite 725 Houston, Texas 77079	12/10/84	13,137	Tax Assessor- Collector
Fort Bend Central Appraisal District 2801 B. F. Terry Rosenberg, Texas 77471	Legislative Action	15,119	Central Appraisal District
RBC Capital Markets LLC 2800 Post Oak Blvd., Suite 4325 Houston, Texas 77056	7/22/03	47,400 Bonds	Financial Advisor
Roth & Eyring, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 1992	10,600	Independent Auditor

See accompanying independent auditor's report.

APPENDIX B

Municipal Bond Specimen Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
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