

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

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

July 31, 2019

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditors' Report		1
Management's Discussion and Analysis		5
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Funds Balance Sheet		14
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		15
Notes to Basic Financial Statements		17
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		34
Notes to Required Supplementary Information		35
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	38
General Fund Expenditures	TSI-2	40
Investments	TSI-3	41
Taxes Levied and Receivable	TSI-4	42
Long-Term Debt Service Requirements by Years	TSI-5	43
Change in Long-Term Bonded Debt	TSI-6	48
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	50
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	52
Board Members, Key Personnel and Consultants	TSI-8	54

McGRATH & CO., PLLC

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

Independent Auditors' Report

Board of Directors
Fort Bend County Municipal Utility District No. 149
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 149, as of and for the year ended July 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

***Board of Directors
Fort Bend County Municipal Utility District No. 149
Fort Bend County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major of Fort Bend County Municipal Utility District No. 149, as of July 31, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

U.S. Guthrie & Co., P.C.

Houston, Texas
November 25, 2019

Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 149
Management's Discussion and Analysis
July 31, 2019***

Using this Annual Report

Within this section of the financial report of Fort Bend County Municipal Utility District No. 149 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended July 31, 2019. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

Fort Bend County Municipal Utility District No. 149
Management's Discussion and Analysis
July 31, 2019

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at July 31, 2019, was \$1,085,179. A comparative summary of the District's overall financial position, as of July 31, 2019 and 2018, is as follows:

	2019	2018
Current and other assets	\$ 7,505,654	\$ 6,785,516
Capital assets	18,853,087	19,353,017
Total assets	<u>26,358,741</u>	<u>26,138,533</u>
Current liabilities	1,438,953	1,414,284
Long-term liabilities	23,834,609	24,677,387
Total liabilities	<u>25,273,562</u>	<u>26,091,671</u>
Net position		
Net investment in capital assets	(5,130,044)	(5,444,444)
Restricted	2,340,137	2,268,559
Unrestricted	3,875,086	3,222,747
Total net position	<u>\$ 1,085,179</u>	<u>\$ 46,862</u>

Fort Bend County Municipal Utility District No. 149
Management's Discussion and Analysis
July 31, 2019

The total net position of the District increased during the current fiscal year by \$1,038,317. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2019</u>	<u>2018</u>
Revenues		
Property taxes, penalties and interest	\$ 2,274,279	\$ 2,208,638
Water and sewer service	974,062	916,697
Other	649,238	552,091
Total revenues	<u>3,897,579</u>	<u>3,677,426</u>
Expenses		
Current service operations	1,439,870	1,673,376
Debt interest and fees	919,462	937,544
Depreciation and amortization	499,930	499,931
Total expenses	<u>2,859,262</u>	<u>3,110,851</u>
Change in net position	1,038,317	566,575
Net position, beginning of year	46,862	(519,713)
Net position, end of year	<u>\$ 1,085,179</u>	<u>\$ 46,862</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of July 31, 2019, were \$7,287,727, which consists of \$3,871,500 in the General Fund, \$2,699,749 in the Debt Service Fund, and \$716,478 in the Capital Projects Fund.

General Fund

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

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 4,072,009</u>	<u>\$ 3,410,239</u>
Total liabilities	\$ 196,923	\$ 187,492
Total deferred inflows	3,586	3,484
Total fund balance	<u>3,871,500</u>	<u>3,219,263</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 4,072,009</u>	<u>\$ 3,410,239</u>

***Fort Bend County Municipal Utility District No. 149
Management's Discussion and Analysis
July 31, 2019***

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 2,027,905	\$ 1,920,788
Total expenditures	<u>(1,375,668)</u>	<u>(1,888,922)</u>
Revenues over expenditures	<u>\$ 652,237</u>	<u>\$ 31,866</u>

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

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

Debt Service Fund

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

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 2,717,167</u>	<u>\$ 2,655,351</u>
Total liabilities	\$ -	\$ 2,096
Total deferred inflows	17,418	15,989
Total fund balance	<u>2,699,749</u>	<u>2,637,266</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,717,167</u>	<u>\$ 2,655,351</u>

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 1,851,890	\$ 1,731,854
Total expenditures	<u>(1,789,407)</u>	<u>(1,778,665)</u>
Revenues over/(under) expenditures	<u>\$ 62,483</u>	<u>\$ (46,811)</u>

Fort Bend County Municipal Utility District No. 149
Management's Discussion and Analysis
July 31, 2019

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

Capital Projects Fund

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

	2019	2018
Total assets	<u>\$ 716,478</u>	<u>\$ 719,926</u>
Total fund balance	<u>\$ 716,478</u>	<u>\$ 719,926</u>

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

	2019	2018
Total revenues	<u>\$ 16,253</u>	<u>\$ 10,004</u>
Total expenditures	<u>(19,701)</u>	<u>(12,127)</u>
Revenues under expenditures	<u>\$ (3,448)</u>	<u>\$ (2,123)</u>

The District did not have any significant capital asset activity in the current and prior fiscal year.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$386,780 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Fort Bend County Municipal Utility District No. 149
Management's Discussion and Analysis
July 31, 2019

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

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

	<u>2019</u>	<u>2018</u>
Capital assets not being depreciated		
Land and improvements	\$ 100,268	\$ 100,268
Capital assets being depreciated/amortized		
Infrastructure	19,970,383	19,970,383
Regional water supply capacity	54,950	54,950
Capital connection fees	1,951,330	1,951,330
	<u>21,976,663</u>	<u>21,976,663</u>
Less accumulated depreciation/amortization		
Infrastructure	(2,911,132)	(2,467,349)
Regional water supply capacity	(2,818)	(1,409)
Capital connection fees	(309,894)	(255,156)
	<u>(3,223,844)</u>	<u>(2,723,914)</u>
Depreciable capital assets, net	<u>18,752,819</u>	<u>19,252,749</u>
Capital assets, net	<u>\$ 18,853,087</u>	<u>\$ 19,353,017</u>

Long-Term Debt and Related Liabilities

As discussed in Note 6, the District has commitments in the amount of \$3,078,186 for projects under construction by its developers. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

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

<u>Series</u>	<u>2019</u>	<u>2018</u>
2011	\$ 2,165,000	\$ 2,230,000
2013	4,345,000	4,490,000
2014	10,295,000	10,620,000
2015	8,340,000	8,645,000
	<u>\$ 25,145,000</u>	<u>\$ 25,985,000</u>

***Fort Bend County Municipal Utility District No. 149
Management's Discussion and Analysis
July 31, 2019***

At July 31, 2019, the District had \$35,495,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and refunding of such bonds.

Next Year's Budget

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

	<u>2019 Actual</u>	<u>2020 Budget</u>
Total revenues	\$ 2,027,905	\$ 1,982,501
Total expenditures	<u>(1,375,668)</u>	<u>(1,581,222)</u>
Revenues over expenditures	652,237	401,279
Beginning fund balance	<u>3,219,263</u>	<u>3,871,500</u>
Ending fund balance	<u><u>\$ 3,871,500</u></u>	<u><u>\$ 4,272,779</u></u>

Property Taxes

The District's property tax base increased approximately \$31,161,000 for the 2019 tax year from \$451,922,631 to \$483,083,277. This increase was primarily due to new construction in the District and increased property values. For the 2019 tax year, the District has levied a maintenance tax rate of \$0.13 per \$100 of assessed value and a debt service tax rate of \$0.37 per \$100 of assessed value, for a total combined tax rate of \$0.50 per \$100. Tax rates for the 2018 tax year were \$0.10 per \$100 for maintenance and operations and \$0.40 per \$100 for debt service for a combined total of \$0.50 per \$100 of assessed value.

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Basic Financial Statements

Fort Bend County Municipal Utility District No. 149
Statement of Net Position and Governmental Funds Balance Sheet
July 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 212,900	\$ 64,622	\$ 201	\$ 277,723	\$ -	\$ 277,723
Investments	3,570,947	2,639,466	716,277	6,926,690		6,926,690
Taxes receivable	3,586	17,418		21,004		21,004
Customer service receivables	139,655			139,655		139,655
Internal balances	4,368	(4,368)				
Prepaid items	16,543			16,543		16,543
Other receivables		29		29		29
Operating reserve - regional water supply	124,010			124,010		124,010
Capital assets not being depreciated					100,268	100,268
Capital assets, net					18,752,819	18,752,819
Total Assets	\$ 4,072,009	\$ 2,717,167	\$ 716,478	\$ 7,505,654	18,853,087	26,358,741
Liabilities						
Accounts payable	\$ 129,263	\$ -	\$ -	\$ 129,263		129,263
Customer deposits	6,025			6,025		6,025
Builder deposits	11,380			11,380		11,380
Due to other governments	50,255			50,255		50,255
Accrued interest payable					377,030	377,030
Long-term debt						
Due within one year					865,000	865,000
Due after one year					23,834,609	23,834,609
Total Liabilities	196,923			196,923	25,076,639	25,273,562
Deferred Inflows of Resources						
Deferred property taxes	3,586	17,418		21,004	(21,004)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	140,553			140,553	(140,553)	
Restricted		2,699,749	716,478	3,416,227	(3,416,227)	
Unassigned	3,730,947			3,730,947	(3,730,947)	
Total Fund Balances	3,871,500	2,699,749	716,478	7,287,727	(7,287,727)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,072,009	\$ 2,717,167	\$ 716,478	\$ 7,505,654		
Net Position						
Net investment in capital assets					(5,130,044)	(5,130,044)
Restricted for debt service					2,340,137	2,340,137
Unrestricted					3,875,086	3,875,086
Total Net Position					\$ 1,085,179	\$ 1,085,179

See notes to basic financial statements.

Fort Bend County Municipal Utility District No. 149

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

For the Year Ended July 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 233,923	\$ -	\$ -	\$ 233,923	\$ -	\$ 233,923
Sewer service	740,139			740,139		740,139
Property taxes	448,545	1,794,645		2,243,190	1,531	2,244,721
Penalties and interest	20,667	8,891		29,558		29,558
Tap connection and inspection	53,240			53,240		53,240
Surface water	311,012			311,012		311,012
Fire service	130,331			130,331		130,331
Miscellaneous	12,276			12,276		12,276
Investment earnings	77,772	48,354	16,253	142,379		142,379
Total Revenues	2,027,905	1,851,890	16,253	3,896,048	1,531	3,897,579
Expenditures/Expenses						
Current service operations						
Purchased services	502,899			502,899		502,899
Professional fees	96,999		19,693	116,692		116,692
Contracted services	576,633	40,845		617,478		617,478
Repairs and maintenance	111,568			111,568		111,568
Utilities	5,779			5,779		5,779
Administrative	62,579	3,656	8	66,243		66,243
Other	19,211			19,211		19,211
Debt service						
Principal		840,000		840,000	(840,000)	
Interest and fees		904,906		904,906	14,556	919,462
Depreciation/amortization					499,930	499,930
Total Expenditures/Expenses	1,375,668	1,789,407	19,701	3,184,776	(325,514)	2,859,262
Revenues Over/(Under)						
Expenditures	652,237	62,483	(3,448)	711,272	(711,272)	
Change in Net Position						
Fund Balance/Net Position						
Beginning of the year	3,219,263	2,637,266	719,926	6,576,455	(6,529,593)	46,862
End of the year	\$ 3,871,500	\$ 2,699,749	\$ 716,478	\$ 7,287,727	\$ (6,202,548)	\$ 1,085,179

See notes to basic financial statements.

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Fort Bend County Municipal Utility District No. 149
Notes to Basic Financial Statements
July 31, 2019

Note 1 – Summary of Significant Accounting Policies

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

Creation

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

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer and drainage facilities.

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At July 31, 2019, an allowance for uncollectible accounts was not considered necessary.

Unbilled Service Revenues

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

Interfund Activity

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

Capital Assets

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

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

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	45 years
Regional water supply capacity	Remaining life of contract
Capital connection fees	Remaining life of contract

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

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables, the value of unbilled utility revenues and receivables and the useful lives and impairment of capital assets. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Fort Bend County Municipal Utility District No. 149
Notes to Basic Financial Statements
July 31, 2019

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		\$ 7,287,727
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental

Historical cost		\$ 22,076,931
Less accumulated depreciation/amortization		<u>(3,223,844)</u>
Change due to capital assets		18,853,087

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Bonds payable, net		(24,699,609)
Interest payable on debt		<u>(377,030)</u>
Change due to long-term debt		(25,076,639)

Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.

Property taxes receivable		17,853
Penalty and interest receivable		<u>3,151</u>
Change due to property taxes		21,004

Total net position - governmental activities		<u><u>\$ 1,085,179</u></u>
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Fort Bend County Municipal Utility District No. 149
Notes to Basic Financial Statements
July 31, 2019

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

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

Net change in fund balances - total governmental funds	\$ 711,272
--	------------

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property	1,531
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Principal payments	\$ 840,000	
Interest expense accrual	(14,556)	
	825,444	

In the <i>Statement of Activities</i> , the cost of capital assets is charged to expense over the estimated useful life of the asset as depreciation/amortization expense.	(499,930)
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Change in net position of governmental activities	\$ 1,038,317
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Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Fort Bend County Municipal Utility District No. 149
Notes to Basic Financial Statements
July 31, 2019

Note 3 – Deposits and Investments (continued)

Investments

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

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

As of July 31, 2019, the District’s investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
TexPool	General	\$ 601,688			
	Debt Service	2,639,466			
	Capital Projects	716,277			
		<u>3,957,431</u>	57%	AAAm	35 days
Texas CLASS	General	<u>2,969,259</u>	<u>43%</u>	AAAm	56 days
Total		<u>\$ 6,926,690</u>	<u>100%</u>		

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

Note 3 – Deposits and Investments (continued)

TexPool (continued)

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

Texas CLASS

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

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

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

Investment Credit and Interest Rate Risk

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

Fort Bend County Municipal Utility District No. 149
Notes to Basic Financial Statements
July 31, 2019

Note 4 – Interfund Balances

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 4,368	Maintenance tax collections not remitted as of year end

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

Note 5 – Capital Assets

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Ending Balances</u>
Capital assets not being depreciated			
Land and improvements	\$ 100,268	\$ -	\$ 100,268
Capital assets being depreciated/amortized			
Infrastructure	19,970,383		19,970,383
Regional water supply capacity	54,950		54,950
Capital connection fees	1,951,330		1,951,330
	<u>21,976,663</u>		<u>21,976,663</u>
Less accumulated depreciation/amortization			
Infrastructure	(2,467,349)	(443,783)	(2,911,132)
Regional water supply capacity	(1,409)	(1,409)	(2,818)
Capital connection fees	(255,156)	(54,738)	(309,894)
	<u>(2,723,914)</u>	<u>(499,930)</u>	<u>(3,223,844)</u>
Subtotal depreciable capital assets, net	<u>19,252,749</u>	<u>(499,930)</u>	<u>18,752,819</u>
Capital assets, net	<u>\$ 19,353,017</u>	<u>\$ (499,930)</u>	<u>\$ 18,853,087</u>

Depreciation/amortization expense for the current year was \$499,930.

Fort Bend County Municipal Utility District No. 149
Notes to Basic Financial Statements
July 31, 2019

Note 6 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, and drainage facilities. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

The District will owe the developers approximately \$3,078,186, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Hageron Road Expansion	\$ 826,507	\$ 572,845	\$ 253,662
Lift Station No. 4	510,384	195,461	314,923
Hageron Road Tract - Section 1	1,741,295	1,439,035	302,260
	<u>\$ 3,078,186</u>	<u>\$ 2,207,341</u>	<u>\$ 870,845</u>

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 25,145,000
Unamortized discounts	(445,391)
	<u>\$ 24,699,609</u>
Due within one year	<u>\$ 865,000</u>

Fort Bend County Municipal Utility District No. 149
Notes to Basic Financial Statements
July 31, 2019

Note 7 – Long-Term Debt (continued)

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2011	\$ 2,165,000	\$ 2,500,000	3.0% - 5.0%	September 1, 2013 to 2036	September 1, March 1	September 1, 2021
2013	4,345,000	5,000,000	2.0% - 4.0%	September 1, 2014 to 2037	September 1, March 1	September 1, 2021
2014	10,295,000	11,450,000	2.0% - 4.0%	September 1, 2015 to 2038	September 1, March 1	September 1, 2022
2015	8,340,000	8,955,000	2.0% - 4.0%	September 1, 2017 to 2040	September 1, March 1	September 1, 2023
	<u>\$ 25,145,000</u>					

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

At July 31, 2019, the District had authorized but unissued bonds in the amount of \$35,495,000 for water, sewer and drainage facilities and refunding of such bonds.

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

Bonds payable, beginning of year	\$ 25,985,000
Bonds retired	<u>(840,000)</u>
Bonds payable, end of year	<u>\$ 25,145,000</u>

Fort Bend County Municipal Utility District No. 149
Notes to Basic Financial Statements
July 31, 2019

Note 7 – Long-Term Debt (continued)

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

Year	Principal	Interest	Totals
2020	\$ 865,000	\$ 883,317	\$ 1,748,317
2021	890,000	861,725	1,751,725
2022	915,000	837,084	1,752,084
2023	945,000	809,002	1,754,002
2024	985,000	779,240	1,764,240
2025	1,015,000	749,425	1,764,425
2026	1,050,000	717,481	1,767,481
2027	1,090,000	683,188	1,773,188
2028	1,125,000	646,720	1,771,720
2029	1,165,000	607,776	1,772,776
2030	1,210,000	565,942	1,775,942
2031	1,255,000	521,421	1,776,421
2032	1,305,000	473,705	1,778,705
2033	1,355,000	422,931	1,777,931
2034	1,410,000	369,088	1,779,088
2035	1,465,000	312,266	1,777,266
2036	1,525,000	253,106	1,778,106
2037	1,585,000	191,263	1,776,263
2038	1,650,000	126,600	1,776,600
2039	1,260,000	68,400	1,328,400
2040	530,000	32,600	562,600
2041	550,000	11,000	561,000
	<u>\$ 25,145,000</u>	<u>\$ 10,923,280</u>	<u>\$ 36,068,280</u>

Note 8 – Property Taxes

On November 6, 2007, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.25 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Fort Bend County Municipal Utility District No. 149
Notes to Basic Financial Statements
July 31, 2019

Note 8 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of \$0.50 per \$100 of assessed value, of which \$0.10 was allocated to maintenance and operations and \$0.40 was allocated to debt service. The resulting tax levy was \$2,259,613 on the adjusted taxable value of \$451,922,631.

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

Current year taxes receivable	\$ 17,089
Prior years taxes receivable	764
	<u>17,853</u>
Penalty and interest receivable	3,151
Total property taxes receivable	<u><u>\$ 21,004</u></u>

Note 9 – Regional Wastewater Treatment Facilities Agreement

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

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

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

On February 25, 2019, the District approved the purchase of 82,500 gallons per day of additional capacity in the Steep Bank/Flat Bank regional wastewater treatment plant system. As of July 31, 2019, the District and the City are negotiating the terms of the purchase.

Note 9 – Regional Wastewater Treatment Facilities Agreement (continued)

The District will also pay the City its pro rata share of capital costs incurred by the City associated with the facilities for various components that were required by the City to be oversized for the benefit of the participants, future participants and future phases of the regional plant. As of July 31, 2019, the District has paid \$1,951,330 for wastewater impact fees to the City for expansion of the plant. During the current fiscal year, the District recorded expenditures of \$120,290 for monthly service charges for maintenance and operation of the facilities.

Note 10 – Cost Sharing Agreement

On February 25, 2019, the District entered into an amended and restated cost sharing agreement with Fort Bend Levee Improvement District No. 19 (“LID 19”) and Fort Bend Levee Improvement District No. 15 (“LID 15”) for the construction of storm sewer and interconnect facilities to serve Hagerson Road. Pursuant to this agreement, the District is responsible for approximately \$826,507 of construction costs. Each district will have an equitable ownership interest in the facilities based on the pro rata share of costs paid. The District will retain legal title and be responsible for operation and maintenance of the project, with the exception of certain facilities which will be conveyed to LID 15 upon completion of construction.

Note 11 – Strategic Partnership Agreement

On November 15, 2007, the District and the City of Missouri City entered into a Strategic Partnership Agreement, under which the City shall not fully annex the District until ninety percent of the District’s developable acreage has been developed with water, wastewater and drainage facilities and its developers have been reimbursed as allowed by the Texas Commission on Environmental Quality. The City may annex any commercial portion of the District at any time for the purpose of imposing and collecting the City’s sale and use tax within the commercial area. The District continues to exercise all powers and functions of a municipal utility district.

Note 12 – Regional Water Supply Agreement

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

Note 12 – Regional Water Supply Agreement (continued)

Each of the Participating Districts is billed monthly for its proportionate share of maintenance and operating expenditures based on each District's actual metered usage for that month. During the current year, the District paid \$382,609 to MUD 115 for its share of maintenance and operating expenditures. In addition, the RWS Agreement authorizes the establishment of an operating and maintenance reserve as set forth in the RWS Agreement. As of July 31, 2019, the District recorded an operating reserve of \$124,010.

Note 13 – Surface Water Conversion

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

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

In order for the City to recover the costs associated with implementing the GRP, all participants pay the City a pumpage fee. The amount of the fee is periodically reviewed and adjusted by the City. Costs considered in determining the amount of the fee will ultimately include all costs to operate the surface water treatment plant, capital costs not paid by bonds, debt service requirements (if applicable) and groundwater production costs. As of July 31, 2019, the fees were \$1.72 per 1,000 gallons for groundwater pumpage and an additional \$0.47 per 1,000 gallons for surface water. The District passes these fees, plus 10%, to its customers as part of the District's standard monthly water and sewer bills. In July 2016, the District began to receive surface water from the City. During the current fiscal year, the District recorded \$311,012 in surface water revenues in the General Fund. Under the RWS Agreement, the pumpage fee and surface water are included in the monthly operation and maintenance charges billed by MUD 115.

Note 14 – Risk Management

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

Required Supplementary Information

*Fort Bend County Municipal Utility District No. 149
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended July 31, 2019*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 210,000	\$ 233,923	\$ 23,923
Sewer service	636,000	740,139	104,139
Property taxes	442,672	448,545	5,873
Penalties and interest	9,600	20,667	11,067
Tap connection and inspection	45,600	53,240	7,640
Surface water	264,000	311,012	47,012
Fire service	140,840	130,331	(10,509)
Miscellaneous	9,000	12,276	3,276
Investment earnings	48,000	77,772	29,772
Total Revenues	<u>1,805,712</u>	<u>2,027,905</u>	<u>222,193</u>
Expenditures			
Current service operations			
Purchased services	599,421	502,899	96,522
Professional fees	100,108	96,999	3,109
Contracted services	615,954	576,633	39,321
Repairs and maintenance	142,304	111,568	30,736
Utilities	6,000	5,779	221
Administrative	59,268	62,579	(3,311)
Other	17,200	19,211	(2,011)
Total Expenditures	<u>1,540,255</u>	<u>1,375,668</u>	<u>164,587</u>
Revenues Over Expenditures	265,457	652,237	386,780
Fund Balance			
Beginning of the year	3,219,263	3,219,263	
End of the year	<u>\$ 3,484,720</u>	<u>\$ 3,871,500</u>	<u>\$ 386,780</u>

Fort Bend County Municipal Utility District No. 149
Notes to Required Supplementary Information
July 31, 2019

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Fort Bend County Municipal Utility District No. 149
TSI-1. Services and Rates
July 31, 2019

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

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

2. Retail Service Providers

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

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

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

District employs winter averaging for wastewater usage? Yes No

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

b. Water and Wastewater Retail Connections:

Meter Size	Total	Active	ESFC Factor	Active
Unmetered			x 1.0	
less than 3/4"	378	376	x 1.0	376
1"	915	909	x 2.5	2,273
1.5"	4	4	x 5.0	20
2"	21	21	x 8.0	168
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	1,318	1,310		2,837
Total Wastewater	1,263	1,255	x 1.0	1,255

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 149
TSI-1. Services and Rates
July 31, 2019

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

Gallons purchased from FB 115:	<u>148,119,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>148,119,000</u>	(Gallons billed / Gallons pumped)
		<u>100.00%</u>

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

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

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

Is the District located entirely within one county? Yes No

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

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

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

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

ETJs in which the District is located: City of Missouri City

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

If Yes, by whom? _____

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 149
TSI-2 General Fund Expenditures
For the Year Ended July 31, 2019*

Purchased services	<u>\$ 502,899</u>
Professional fees	
Legal	70,191
Audit	12,500
Engineering	14,308
	<u>96,999</u>
Contracted services	
Bookkeeping	26,025
Operator	34,020
Garbage collection	254,019
Tap connection and inspection	35,208
Security Service	94,317
Fire service	133,044
	<u>576,633</u>
Repairs and maintenance	<u>111,568</u>
Utilities	<u>5,779</u>
Administrative	
Directors fees	12,900
Printing and office supplies	17,408
Insurance	9,063
Other	23,208
	<u>62,579</u>
Other	<u>19,211</u>
Total expenditures	<u><u>\$ 1,375,668</u></u>

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

	<u>Usage</u>	<u>Cost</u>
Electrical	37,734 kWh	\$ 5,784
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 149
TSI-3. Investments
July 31, 2019

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexPool	Variable	N/A	\$ 601,688
Texas Class	Variable	N/A	2,969,259
			<u>3,570,947</u>
Debt Service			
TexPool	Variable	N/A	<u>2,639,466</u>
Capital Projects			
TexPool	Variable	N/A	<u>716,277</u>
Total - All Funds			<u><u>\$ 6,926,690</u></u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 149
TSI-4. Taxes Levied and Receivable
July 31, 2019

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 3,484	\$ 12,838	\$ 16,322	
Adjustments	(3,276)	(11,616)	(14,892)	
Adjusted Receivable	208	1,222	1,430	
2018 Original Tax Levy	439,872	1,759,487	2,199,359	
Adjustments	12,051	48,203	60,254	
Adjusted Tax Levy	451,923	1,807,690	2,259,613	
Total to be accounted for	452,131	1,808,912	2,261,043	
Tax collections:				
Current year	448,505	1,794,019	2,242,524	
Prior years	40	626	666	
Total Collections	448,545	1,794,645	2,243,190	
Taxes Receivable, End of Year	\$ 3,586	\$ 14,267	\$ 17,853	
Taxes Receivable, By Years				
2018	\$ 3,418	\$ 13,671	\$ 17,089	
2017	168	596	764	
Taxes Receivable, End of Year	\$ 3,586	\$ 14,267	\$ 17,853	
	2018	2017	2016	2015
Property Valuations:				
Land	\$ 90,889,499	\$ 88,216,010	\$ 81,087,660	\$ 71,917,110
Improvements	364,506,450	382,056,395	358,413,735	302,176,390
Personal Property	1,629,340	1,473,530	1,607,410	1,207,250
Exemptions	(5,102,658)	(36,967,358)	(6,870,543)	(16,203,725)
Total Property Valuations	\$ 451,922,631	\$ 434,778,577	\$ 434,238,262	\$ 359,097,025
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.10	\$ 0.11	\$ 0.08	\$ 0.10
Debt service tax rates	0.40	0.39	0.42	0.55
Total Tax Rates per \$100 Valuation	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.65
Adjusted Tax Levy:	\$ 2,259,613	\$ 2,173,893	\$ 2,171,191	\$ 2,334,131
Percentage of Taxes Collected to Taxes Levied **	99.24%	99.96%	100.00%	100.00%

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

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

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 149
TSI-5. Long-Term Debt Service Requirements
Series 2011--by Years
July 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 70,000	\$ 103,405	\$ 173,405
2021	75,000	100,467	175,467
2022	80,000	97,230	177,230
2023	80,000	93,770	173,770
2024	85,000	90,098	175,098
2025	90,000	86,093	176,093
2026	100,000	81,625	181,625
2027	105,000	76,625	181,625
2028	110,000	71,250	181,250
2029	120,000	65,500	185,500
2030	125,000	59,375	184,375
2031	135,000	52,875	187,875
2032	140,000	46,000	186,000
2033	150,000	38,750	188,750
2034	160,000	31,000	191,000
2035	170,000	22,750	192,750
2036	180,000	14,000	194,000
2037	190,000	4,750	194,750
	<u>\$ 2,165,000</u>	<u>\$ 1,135,563</u>	<u>\$ 3,300,563</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 149
TSI-5. Long-Term Debt Service Requirements
Series 2013--by Years
July 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 150,000	\$ 156,148	\$ 306,148
2021	155,000	152,294	307,294
2022	165,000	147,765	312,765
2023	170,000	142,655	312,655
2024	180,000	137,230	317,230
2025	185,000	131,388	316,388
2026	195,000	125,118	320,118
2027	205,000	118,313	323,313
2028	215,000	110,963	325,963
2029	220,000	103,240	323,240
2030	230,000	95,140	325,140
2031	245,000	86,100	331,100
2032	255,000	76,100	331,100
2033	265,000	65,700	330,700
2034	275,000	54,900	329,900
2035	290,000	43,600	333,600
2036	300,000	31,800	331,800
2037	315,000	19,500	334,500
2038	330,000	6,600	336,600
	<u>\$ 4,345,000</u>	<u>\$ 1,804,554</u>	<u>\$ 6,149,554</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 149
 TSI-5. Long-Term Debt Service Requirements
 Series 2014--by Years
 July 31, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 335,000	\$ 363,588	\$ 698,588
2021	350,000	354,988	704,988
2022	365,000	344,263	709,263
2023	380,000	331,187	711,187
2024	400,000	317,588	717,588
2025	415,000	305,363	720,363
2026	430,000	292,688	722,688
2027	450,000	279,206	729,206
2028	470,000	264,538	734,538
2029	490,000	248,630	738,630
2030	510,000	231,436	741,436
2031	530,000	213,237	743,237
2032	555,000	193,555	748,555
2033	580,000	172,275	752,275
2034	605,000	149,300	754,300
2035	630,000	124,600	754,600
2036	655,000	98,900	753,900
2037	685,000	72,100	757,100
2038	715,000	44,100	759,100
2039	745,000	14,900	759,900
	<u>\$ 10,295,000</u>	<u>\$ 4,416,442</u>	<u>\$ 14,711,442</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 149
TSI-5. Long-Term Debt Service Requirements
Series 2015--by Years
July 31, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 310,000	\$ 260,176	\$ 570,176
2021	310,000	253,976	563,976
2022	305,000	247,826	552,826
2023	315,000	241,390	556,390
2024	320,000	234,324	554,324
2025	325,000	226,581	551,581
2026	325,000	218,050	543,050
2027	330,000	209,044	539,044
2028	330,000	199,969	529,969
2029	335,000	190,406	525,406
2030	345,000	179,991	524,991
2031	345,000	169,209	514,209
2032	355,000	158,050	513,050
2033	360,000	146,206	506,206
2034	370,000	133,888	503,888
2035	375,000	121,316	496,316
2036	390,000	108,406	498,406
2037	395,000	94,913	489,913
2038	605,000	75,900	680,900
2039	515,000	53,500	568,500
2040	530,000	32,600	562,600
2041	550,000	11,000	561,000
	<u>\$ 8,340,000</u>	<u>\$ 3,566,721</u>	<u>\$11,906,721</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 149
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
July 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 865,000	\$ 883,317	\$ 1,748,317
2021	890,000	861,725	1,751,725
2022	915,000	837,084	1,752,084
2023	945,000	809,002	1,754,002
2024	985,000	779,240	1,764,240
2025	1,015,000	749,425	1,764,425
2026	1,050,000	717,481	1,767,481
2027	1,090,000	683,188	1,773,188
2028	1,125,000	646,720	1,771,720
2029	1,165,000	607,776	1,772,776
2030	1,210,000	565,942	1,775,942
2031	1,255,000	521,421	1,776,421
2032	1,305,000	473,705	1,778,705
2033	1,355,000	422,931	1,777,931
2034	1,410,000	369,088	1,779,088
2035	1,465,000	312,266	1,777,266
2036	1,525,000	253,106	1,778,106
2037	1,585,000	191,263	1,776,263
2038	1,650,000	126,600	1,776,600
2039	1,260,000	68,400	1,328,400
2040	530,000	32,600	562,600
2041	550,000	11,000	561,000
	<u>\$ 25,145,000</u>	<u>\$ 10,923,280</u>	<u>\$ 36,068,280</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 149
TSI-6. Change in Long-Term Bonded Debt
July 31, 2019

	Bond Issue				Totals
	Series 2011	Series 2013	Series 2014	Series 2015	
Interest rate	3.0% - 5.0%	2.0% - 4.0%	2.0% - 4.0%	2.0% - 4.0%	
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1	
Maturity dates	9/1/13 - 9/1/36	9/1/14 - 9/1/37	9/1/15 - 9/1/38	9/1/17 - 9/1/40	
Beginning bonds outstanding	\$ 2,230,000	\$ 4,490,000	\$ 10,620,000	\$ 8,645,000	\$ 25,985,000
Bonds retired	(65,000)	(145,000)	(325,000)	(305,000)	(840,000)
Ending bonds outstanding	\$ 2,165,000	\$ 4,345,000	\$ 10,295,000	\$ 8,340,000	\$ 25,145,000
Interest paid during fiscal year	\$ 106,024	\$ 159,506	\$ 370,188	\$ 266,326	\$ 902,044
Paying agent's name and city					
Series 2011 and 2013	The Bank of New York Mellon Trust Company, N.A., Dallas TX				
Series 2014 and 2015	Regions Bank, Houston, Texas				
Bond Authority:	Water, Sewer and Drainage Bonds				
Amount Authorized by Voters	\$ 63,400,000				
Amount Issued	(27,905,000)				
Remaining To Be Issued	\$ 35,495,000				

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

Debt Service Fund cash and investments balances as of July 31, 2019:	\$ 2,704,088
Average annual debt service payment (principal and interest) for remaining term of all debt:	\$ 1,639,467

See accompanying auditors' report.

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

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Water service	\$ 233,923	\$ 228,676	\$ 233,917	\$ 209,539	\$ 179,463
Sewer service	740,139	688,021	724,315	649,520	568,096
Property taxes	448,545	477,821	348,386	360,412	592,568
Penalties and interest	20,667	13,953	13,143	12,062	11,011
Tap connection and inspection	53,240	73,405	146,741	210,094	221,609
Surface water	311,012	266,619	292,381	275,709	356,624
Fire service	130,331	118,828	121,800	112,681	97,868
Joint water plant administration					5,124
Miscellaneous	12,276	7,099	14,334	11,410	9,649
Investment earnings	77,772	46,366	16,631	5,436	1,105
Total Revenues	2,027,905	1,920,788	1,911,648	1,846,863	2,043,117
Expenditures					
Current service operations					
Purchased services	502,899	541,608	574,893	599,896	498,454
Professional fees	96,999	104,205	108,144	96,183	75,119
Contracted services	576,633	650,567	603,292	580,033	513,619
Repairs and maintenance	111,568	168,732	117,115	90,294	150,725
Utilities	5,779	6,178	4,984	6,198	4,859
Administrative	62,579	72,954	59,616	60,318	54,977
Other	19,211	85,956	19,930	12,159	12,067
Capital outlay		258,722			
Total Expenditures	1,375,668	1,888,922	1,487,974	1,445,081	1,309,820
Revenues Over Expenditures	\$ 652,237	\$ 31,866	\$ 423,674	\$ 401,782	\$ 733,297
Total Active Retail Water Connections	1,310	1,281	1,241	1,159	1,021
Total Active Retail Wastewater Connections	1,255	1,230	1,191	1,109	987

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
12%	12%	12%	11%	9%
36%	36%	38%	35%	28%
22%	25%	18%	20%	29%
1%	1%	1%	1%	1%
3%	4%	8%	11%	11%
15%	14%	15%	15%	17%
6%	6%	6%	6%	5%
				*
1%	*	1%	1%	*
4%	2%	1%	*	*
100%	100%	100%	100%	100%
25%	28%	30%	32%	24%
5%	5%	6%	5%	4%
28%	34%	32%	31%	25%
6%	9%	6%	5%	7%
*	*	*	*	*
3%	4%	3%	3%	3%
1%	4%	1%	1%	1%
	13%			
68%	97%	78%	77%	64%
32%	3%	22%	23%	36%

Fort Bend County Municipal Utility District No. 149

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

For the Last Five Fiscal Years

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$1,794,645	\$ 1,695,733	\$1,829,207	\$1,973,009	\$1,203,887
Penalties and interest	8,891	6,351	8,801	8,345	9,467
Accrued interest on bonds sold				6,124	
Investment earnings	48,354	29,770	13,040	4,366	582
Total Revenues	<u>1,851,890</u>	<u>1,731,854</u>	<u>1,851,048</u>	<u>1,991,844</u>	<u>1,213,936</u>
Expenditures					
Tax collection services	44,501	41,081	40,827	36,608	29,157
Debt service					
Principal	840,000	815,000	480,000	405,000	170,000
Interest and fees	904,906	922,584	936,328	739,864	544,182
Total Expenditures	<u>1,789,407</u>	<u>1,778,665</u>	<u>1,457,155</u>	<u>1,181,472</u>	<u>743,339</u>
Revenues Over/(Under) Expenditures	<u>\$ 62,483</u>	<u>\$ (46,811)</u>	<u>\$ 393,893</u>	<u>\$ 810,372</u>	<u>\$ 470,597</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
97%	98%	99%	100%	99%
*	*	*	*	1%
			*	
3%	2%	1%	*	*
100%	100%	100%	100%	100%
2%	2%	2%	2%	2%
45%	47%	26%	20%	14%
49%	53%	51%	37%	45%
96%	102%	79%	59%	61%
4%	(2%)	21%	41%	39%

Fort Bend County Municipal Utility District No. 149
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended July 31, 2019

Complete District Mailing Address: 202 Century Square Blvd, Sugar Land, TX 77478

District Business Telephone Number: (281) 500-6050

Submission Date of the most recent District Registration Form

(TWC Sections 36.054 and 49.054): March 20, 2017

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

(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Susan Winters	05/18 - 05/22	\$ 2,700	\$ 124	President
Ray Aguilar	05/16 - 05/20	2,100	119	Vice President
Rose Herbst	05/18 - 05/22	2,550	204	Secretary
Kristi McLeod	05/16 - 05/20	2,700	124	Assistant Secretary
Laura Thompson	05/18 - 05/22	2,850	147	Assistant Vice President
Consultants				
		<u>Amounts Paid</u>		
The Muller Law Group	2014	\$ 90,358		Attorney
Si Environmental, LLC	2012	189,679		Operator
McLennan & Associates, LP	2007	28,154		Bookkeeper
Tax Tech, Inc.	2007	22,345		Tax Collector
Fort Bend Central Appraisal District	Legislation	16,190		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	2007	2,310		Delinquent Tax Attorney
Costello, Inc.	2007			Engineer
<i>Amounts paid directly by district</i>		14,308		
McGrath & Co., PLLC	Annual	12,500		Auditor
R. W. Baird & Co.	2015			Financial Advisor

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

See accompanying auditors' report.