

## OFFICIAL STATEMENT DATED JULY 9, 2018

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

THE DISTRICT HAS DESIGNATED THE BONDS AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “TAX MATTERS— QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS” HEREIN.

### NEW ISSUE-Book-Entry Only

Rating: Moody’s “A3”  
See “MUNICIPAL BOND RATING” herein.

**\$4,055,000**  
**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
*(A political subdivision of the State of Texas located within Montgomery County)*  
**UNLIMITED TAX PARK BONDS**  
**SERIES 2018**

**Dated Date: August 1, 2018**

**Due: March 1, as shown below**

The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. Principal of the Bonds will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the “Paying Agent/Registrar”). Interest accrues from August 1, 2018, and is payable March 1, 2019 (seven months of interest), and each September 1 and March 1 thereafter until maturity on the basis of a 360 day year of twelve 30 day months. The Bonds are not subject to redemption prior to maturity.

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 “THE BONDS— Book-Entry-Only System.”

### MATURITY SCHEDULE

Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2019	\$ 1,055,000	2.00 %	1.70 %	61370P MH8	2022	\$ 500,000	2.00 %	2.20 %	61370P ML9
2020	1,000,000	2.00	1.90	61370P MJ4	2023	500,000	2.00	2.35	61370P MM7
2021	500,000	2.00	2.05	61370P MK1	2024	500,000	2.00	2.50	61370P MN5

(a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser (as herein defined) for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from August 1, 2018, is to be added to the price.

(b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

The Bonds, when issued, will constitute valid and legally binding obligations of Montgomery County Municipal Utility District No. 115 (the “District”) and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe or any entity other than the District. The Bonds are subject to special investment risks described herein. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel. Delivery of the Bonds through DTC is expected on or about August 7, 2018.

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### 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 representation must not be relied upon as having been authorized by the District.

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

All of the summaries of the statutes, orders, resolutions, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas 77019, upon payment of duplication costs.

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

## OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement.

### HURRICANE HARVEY

<i>General...</i>	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 has experienced three storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.
<i>Impact on the District...</i>	<p>According to Municipal Operations &amp; Consulting, Inc. (the “Operator”), the District’s water and sewer system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, to the knowledge of the District, no homes within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.</p> <p>If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected. See “INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey.”</p>

### THE FINANCING

<i>The Issuer...</i>	Montgomery County Municipal Utility District No. 115 (the “District”), a political subdivision of the State of Texas, located in Montgomery County, Texas. See “THE DISTRICT.”
<i>The Issue...</i>	\$4,055,000 Montgomery County Municipal Utility District No. 115 Unlimited Tax Park Bonds, Series 2018 (the “Bonds”), dated August 1, 2018. The Bonds mature serially on March 1 in each year 2019 through 2024, both inclusive, in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds will accrue from August 1, 2018, with interest payable March 1, 2019 (seven months of interest) and each September 1 and March 1 thereafter until maturity. The Bonds are not subject to redemption prior to their stated maturity. See “THE BONDS.”
<i>Book-Entry-Only System ...</i>	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which 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 “THE BONDS—Book-Entry-Only System.”
<i>Source of Payment ...</i>	The Bonds are payable from a continuing direct annual ad valorem tax, unlimited as to rate or amount, levied against taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe or any entity other than the District. See “THE BONDS—Source of Payment.”

<i>Use of Proceeds...</i>	Proceeds from the sale of the Bonds will be used to finance (1) hardscaping, planting and irrigation in several sections of Falls at Imperial Oaks; (2) hardscaping, planting and irrigation in Section 18 of Imperial Oaks Park; (3) infrastructure to serve Imperial Oaks Recreation Center; (4) excavation of Imperial Oaks Amenity Lake; and (5) engineering fees. Bond proceeds will also be used to pay developer interest and to pay certain costs associated with the issuance of the Bonds. See “THE SYSTEM—Use and Distribution of Bond Proceeds.”
<i>Payment Record ...</i>	The District has previously issued ten series of unlimited tax bonds and one series of unlimited tax refunding bonds, \$45,780,000 of which remained outstanding as of May 31, 2018 (the “Outstanding Bonds”). The District has never defaulted in the payment of principal of and interest on the Outstanding Bonds.
<i>Qualified Tax-Exempt Obligations ...</i>	The Bonds have been designated as Qualified Tax-Exempt Obligations for financial institutions. See “TAX MATTERS—Qualified Tax Exempt Obligations for Financial Institutions.”
<i>Municipal Bond Rating...</i>	Moody’s Investors Service (“Moody’s”) has assigned a credit rating of “A3” on the Bonds. An explanation of the rating may be obtained from Moody’s, 7 World Trade Center, 250 Greenwich Street, New York, New York, 10007. See “MUNICIPAL BOND RATING.”
<i>Bond Counsel ...</i>	Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, Houston, Texas.
<i>Financial Advisor ...</i>	Masterson Advisors LLC, Houston, Texas.
<i>Disclosure Counsel ...</i>	McCall Parkhurst & Horton L.L.P., Disclosure Counsel, Houston, Texas.
<i>Investment Considerations ...</i>	The purchase and ownership of the Bonds are subject to special investment considerations, and all prospective purchasers are urged to examine carefully the entire Official Statement for a discussion of investment risks, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”

## **THE DISTRICT**

<i>Description...</i>	The District is a political subdivision of the State of Texas, created by Order of the Texas Commission on Environmental Quality (the “Commission”) on March 22, 2006, under the provisions of XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended. The District is located in southeastern Montgomery County approximately 25 miles north of downtown Houston and approximately 15 miles south of the City of Conroe. The District lies approximately three miles east of Interstate Highway 45 (“IH 45”) north of Rayford Road along Northridge Forest Drive and Birnham Woods Drive. The District contains approximately 686 acres and is wholly within the extraterritorial jurisdiction of the City of Conroe and the boundaries of the Conroe Independent School District. See “THE DISTRICT” and “AERIAL PHOTOGRAPH.”
<i>Status of Development ...</i>	<p>The District is being developed as The Falls at Imperial Oaks, a single family residential community. Development in the District currently includes 1,514 single-family residential lots on approximately 550 acres. As of June 6, 2018, the District consisted of 1,379 completed homes (1,379 occupied), 91 homes under construction and 44 vacant developed lots. Homes in the District range in price from approximately \$200,000 to \$800,000.</p> <p>The remainder of the District is comprised of approximately 20 acres owned by Conroe Independent School District where an elementary school has been built (tax-exempt), approximately 8 acres of park land upon which a recreation center is located, and approximately 101 acres of amenity lakes, easements, detention and drainage facilities, street right-of-way, a water plant site, floodway and flood plain. In addition, the District includes approximately 7 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities. See “THE DISTRICT.”</p>

*Homebuilders...*

Homebuilders currently building in the District are Lennar Homes, David Weekley Homes, Partners in Building and Village Builders. See “THE DISTRICT—Status of Development.”

*Developer...*

The developer or owner of land within the District is Imperial Oaks Development Corp, a Texas corporation (the “Developer”). See “THE DEVELOPER.”

*[Remainder of Page is Intentionally Left Blank]*

**SELECTED FINANCIAL INFORMATION**

2017 Certified Taxable Assessed Valuation .....	\$377,335,846 (a)
2018 Preliminary Taxable Assessed Valuation .....	\$418,874,689 (b)
Estimated Taxable Assessed Valuation as of March 1, 2018 .....	\$420,687,356 (c)
Gross Debt Outstanding (after the issuance of the Bonds) .....	\$49,835,000
Estimated Overlapping Debt.....	<u>16,824,016</u>
Gross Debt and Estimated Overlapping Debt.....	\$66,659,016
Ratios of Gross Debt to:	
2018 Preliminary Taxable Assessed Valuation .....	11.90%
Estimated Taxable Assessed Valuation as of March 1, 2018 .....	11.85%
Ratios of Gross Debt and Estimated Overlapping Debt to:	
2018 Preliminary Taxable Assessed Valuation .....	15.91%
Estimated Taxable Assessed Valuation as of March 1, 2018 .....	15.85%
2017 Debt Service Tax Rate .....	\$0.85
2017 Maintenance Tax Rate .....	<u>0.50</u>
2017 Total Tax Rate .....	\$1.35/\$100 A.V.
Average Annual Debt Service Requirements (2018-2041) of the Bonds (“Average Requirement”) .....	\$2,947,128
Maximum Annual Debt Service Requirement (2019) of the Bonds (“Maximum Requirement”).....	\$4,048,107
Tax Rates Required to Pay Average Requirement (2018-2041) at a 95% Collection Rate	
Based upon 2018 Preliminary Taxable Assessed Valuation.....	\$0.75/\$100 A.V.
Based upon Estimated Taxable Assessed Valuation as of March 1, 2018.....	\$0.74/\$100 A.V.
Tax Rates Required to Pay Maximum Requirement (2019) at a 95% Collection Rate	
Based upon 2018 Preliminary Taxable Assessed Valuation.....	\$1.02/\$100 A.V.
Based upon Estimated Taxable Assessed Valuation as of March 1, 2018.....	\$1.02/\$100 A.V.
Status of home construction as of June 6, 2018:	
Single-family residential – completed and occupied .....	1,379
Single-family residential – completed and unoccupied .....	<u>0</u>
Single-family residential – under construction .....	<u>91</u>
Total .....	1,470

Estimated 2018 Population – 4,826 (d)

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- (a) As certified by the Montgomery Central Appraisal District (the “Appraisal District”). See “TAX PROCEDURES.”
  - (b) Provided by the Appraisal District as a preliminary indication of the 2018 taxable value (as of January 1, 2018). Such amount is subject to review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified in the fall of 2018. See “TAX PROCEDURES.”
  - (c) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on March 1, 2018. Increases in value that occur between January 1, 2018 and March 1, 2018 will be assessed for purposes of taxation on January 1, 2019.
  - (d) Based upon 3.5 persons per occupied home.

## OFFICIAL STATEMENT

**\$4,055,000**

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
*(A political subdivision of the State of Texas located within Montgomery County)*

### **UNLIMITED TAX PARK BONDS SERIES 2018**

This Official Statement provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 115 (the “District”) of its \$4,055,000 Unlimited Tax Park Bonds, Series 2018 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”), an order of the Texas Commission on Environmental Quality (the “Commission”) and an election held within the District.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, Imperial Oaks Development Corp. (the “Developer”) and development activity within the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of such documents may be obtained from the District upon payment of the costs of duplication therefor from Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.

## THE BONDS

### **Description**

The Bonds are dated August 1, 2018, with interest payable each September 1 and March 1 (each an “Interest Payment Date”), beginning March 1, 2019 (seven months of interest), and mature on the dates and in the amounts and pay interest at the rates shown on the cover page hereof. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) 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 the Paying Agent/Registrar to Cede & Co., which 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” herein.

In the event the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar 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 a Registered Owner at the risk and expense of such Registered Owner.

### **Book-Entry-Only System**

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 or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedure” of DTC to be followed in dealing with DTC Direct Participants 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 maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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



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

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

### **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-Only System, 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-Only System, and, (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

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

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the Bond Order. While the Bonds are in the Book-Entry-Only system, Bonds will be registered only in the name of Cede & Co and held by DTC. See "Book-Entry-Only System."

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas. In the Bond Order the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid, and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

### **Source of Payment**

The Bonds, when issued, will constitute valid and binding obligations of the District and are payable as to principal and interest from and are secured by the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Tax proceeds, after deduction for collection costs, will be placed in the Debt Service Fund (as defined in the Bond Order) and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds, and on any additional bonds issued by the District payable from taxes which may be levied. See "TAX DATA."

The Bonds are obligations solely of the District and are not obligations of Montgomery County, Texas, the City of Conroe, the State of Texas or any political subdivision or entity other than the District.

### **Funds**

In the Bond Order, the Debt Service Fund is confirmed. The Debt Service Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Outstanding Bonds, the Bonds and any of the District's duly authorized additional bonds, together with interest thereon, as such becomes due. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, and to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds.

Accrued interest on the Bonds will be deposited into the Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds including interest earnings thereon, will be deposited into the Park Capital Projects Fund to be used for the purpose of developing parks and recreational facilities and for paying the costs of issuing the Bonds. See "THE SYSTEM—Use and Distribution of Bond Proceeds."

The Bond Order also confirms the previous establishment of the District's General Fund. The District deposits, as collected, all revenues derived from operation of the District's water and wastewater system and from maintenance taxes into the General Fund. From the General Fund, the District pays all administration, operation, and maintenance expenses of the water and wastewater system and the District's storm drainage system, recreational facilities and street lights in the District. Any funds remaining in the General Fund after payment of maintenance and operating expenses may be used by the District for any lawful purposes.

## **Redemption Provisions**

The Bonds are not subject to redemption prior to their stated maturity.

## **Authority for Issuance**

At an election held within the District on November 6, 2007, the voters of the District authorized the issuance of a total of \$10,672,000 in principal amount of unlimited tax bonds for the purpose of developing parks and recreational facilities and for refunding such bonds, and after issuance of the Bonds, the District will have \$6,617,000 in principal amount of unlimited tax bonds authorized but unissued for the purpose of developing parks and recreational facilities and for refunding such bonds. See “Issuance of Additional Debt” below.

The Commission, pursuant to its order approving sale of the Bonds, has authorized the District to sell the Bonds for the purposes described in “THE SYSTEM—Use and Distribution of Bond Proceeds.”

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, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas and an election held within the District.

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. See “LEGAL MATTERS—Legal Opinion.”

## **Issuance of Additional Debt**

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. On November 6, 2007, the voters authorized the issuance of a total of \$10,672,000 in principal amount of unlimited tax bonds for the purpose of developing parks and recreational facilities and for refunding such bonds. Before the District issues recreational facilities bonds payable from taxes, the following actions are required: (a) approval of the park projects and bonds by the Commission; and (b) approval of the bonds by the Attorney General of Texas. Additionally, recreational facilities bonds outstanding principal amount may not exceed an amount equal to one percent of the value of the taxable property in the District. After issuance of the Bonds, the District will have \$6,617,000 in principal amount of unlimited tax bonds authorized but unissued for developing parks and recreational facilities and for refunding such bonds. The District expects to continue to issue unlimited tax bonds for developing parks and recreational facilities to provide funds with which to reimburse the Developer for recreational facilities constructed for the District. See “THE SYSTEM—Future Debt.”

The District's voters have authorized the issuance of \$120,000,000 in principal amount of unlimited tax bonds for purposes of acquiring and constructing the water, sewer and drainage facilities to serve land within the District and for refunding such bonds. The District could authorize additional amounts. The District currently has \$71,240,000 in principal amount of unlimited tax bonds authorized but unissued for constructing water, sewer and drainage facilities and for refunding such bonds. The Bond Order imposes no limitation on the amount of additional parity bonds which may be subsequently authorized for issuance by the District's voters or the amount ultimately issued by the District.

Pursuant to Chapter 54 of the Texas Water Code, a municipal utility district may petition the Commission for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the Commission, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the Commission for “road powers” nor calling such an election at this time.

Issuance of additional bonds or other subsequently authorized bonds could affect the investment quality or security of the Bonds. See “INVESTMENT CONSIDERATIONS—Future Debt.”

## **Defeasance**

The District may defease the Bonds pursuant to provisions of the Bond Order and discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal of and interest on the Bonds in any manner permitted by law. Under current Texas law, such discharge may be accomplished as follows: (1) by paying or causing to pay principal and interest due on the Bonds (whether at maturity, redemption or otherwise) in accordance with the terms of the Bonds; (2) 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 (3) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable with revenues from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing the discharge moneys or investments which, together with interest earned on or profits to be realized from such investments, will be sufficient to pay principal, interest or redemption price to maturity or to the date fixed for redemption of the Bonds provided that such deposits may be invested and reinvested only in (a) direct 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 payment or deposit, the Bonds shall no longer be regarded as outstanding and unpaid. However, if the maturity date on the Bonds shall not have then arrived, provision shall be made by the District for payment to the Registered Owners of the Bonds at the date of maturity or at a date fixed for redemption in full amount to which the Registered Owners would be entitled by way of principal, interest and redemption price to the date of such maturity or redemption as provided in the Bond Order, and further provided written notice thereof shall have been given as provided in the Bond Order.

## **Annexation**

All of the District is located in the extraterritorial jurisdiction (“ETJ”) of the City of Conroe. The District could be annexed by such city without the consent of the District or its residents. If annexation of the District by such city did occur, the District would be abolished within ninety (90) days after annexation. When the District is abolished, such city would be required to assume the assets, functions, and obligations of the District (including the Bonds). Annexation of territory by the City of Conroe is a policy-making matter within the discretion of the Mayor and City Council of the City of Conroe, and therefore, the District makes no representation that the City of Conroe will ever annex the District and assume its debt, nor does the District make any representation concerning the ability of the City of Conroe to pay debt service on the District’s bonds if annexation were to occur. See “THE DISTRICT—Conroe Extraterritorial Jurisdiction.”

## **Consolidation**

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the assets of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

## **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 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**

The District has reserved the right to amend the Bond Order without the consent of the Registered Owners as may be required (a) by the provisions of the Bond Order, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission in the Bond Order, or (c) in connection with any other change not to the prejudice of the Registered Owners, but the District may not otherwise amend the terms of the Bonds or of the Bond Order without the consent of the Registered Owners.

### **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 observance 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. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

## **THE DISTRICT**

### **General**

Montgomery County Municipal Utility District No. 115 (the “District”) is a municipal utility district created by Order of the Texas Commission on Environmental Quality on March 22, 2006, under the provisions of XVI, Section 59, of the Texas Constitution. The District operates under provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes applicable to municipal utility districts. The District is subject to the continuing supervision of the Commission. The District is located wholly within the boundaries of the Conroe Independent School District and within the exclusive extraterritorial jurisdiction of the City of Conroe.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water, the collection, transportation, and treatment of wastewater and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to provide for the collection and disposal of solid waste, to provide street lighting and to establish, operate, and maintain firefighting facilities and/or parks and recreational facilities, independently or with one or more conservation and reclamation districts. Additionally, the District may, subject to certain limitations, develop and finance roads.

### **Conroe Extraterritorial Jurisdiction**

When the District was created on March 22, 2006, the District was not located within any city’s extraterritorial jurisdiction (“ETJ”). As a result of population growth and pursuant to an ordinance adopted by the City of Conroe in January 2008, Conroe exercised its rights pursuant to state law and expanded its ETJ into unincorporated areas of Montgomery County, including the entire area of the District. The District is now located within the City of Conroe’s ETJ.

The City of Conroe has been granted authority by the State of Texas to regulate certain activities within its specified ETJ; however, the City of Conroe has opted not to require any kind of engineering plan or bonding review within the ETJ that is outside of the City Limits and the Conroe Planning Area. The City has also opted not to review plats for areas outside the Conroe Planning Area. Development within the City of Conroe’s ETJ is subject to requirements that may be imposed by Montgomery County, the Commission or other regulatory agencies.

The District is not located within the Conroe City Limits or Planning Area, and in reliance on the City of Conroe policy, the District has not submitted plans for construction of facilities, subdivision plats or proceedings for issuance of bonds, including the Bonds, to the City of Conroe.

### **Description and Location**

The District contains approximately 686 acres of land and is located in the southeastern portion of Montgomery County approximately 25 miles north of downtown Houston and approximately 15 miles south of the City of Conroe. The District lies approximately three miles east of Interstate Highway 45 (“IH 45”) north of Rayford Road along Northridge Forest Drive and Birnham Woods Drive and is bounded on the west by Rayford Road Municipal Utility District, on the north by Montgomery County Municipal Utility District No. 99 and on the south by Montgomery County Municipal Utility District No. 88 and Montgomery County Municipal Utility District No. 127. See “AERIAL PHOTOGRAPH.”

**Land Use**

The District currently includes approximately 550 developed acres of single-family residential development (1,514 lots), approximately 20 acres owned by Conroe Independent School District where an elementary school has been constructed, approximately 8 acres of park land upon which a recreation center is located, and approximately 101 acres of amenity lakes, easements, detention and drainage facilities, street right-of-way, a water plant site, floodway and flood plain. In addition, the District includes approximately 7 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities. The table below represents a detailed breakdown of the current acreage and development in the District.

<u>Single-Family Residential</u>	Approximate <u>Acres</u>	<u>Lots</u>
Imperial Oaks Forest:		
Section 15 .....	35	125
Section 16 .....	32	118
Section 17 .....	10	48
Section 17A .....	9	43
Section 18 .....	23	75
Imperial Oaks Forest:		
Section 3 .....	33	93
Section 4 .....	28	59
Section 5 .....	20	46
Falls at Imperial Oaks:		
Section 1 .....	17	33
Section 2 .....	22	33
Section 3 .....	18	66
Section 4 .....	19	55
Section 5 .....	38	60
Section 6 .....	12	59
Section 7 .....	26	49
Section 8 .....	14	13
Section 9 .....	15	55
Section 10 .....	27	90
Section 11 .....	19	42
Section 12 .....	16	61
Section 14 .....	18	38
Section 15 .....	13	47
Section 18 .....	15	60
Section 19 .....	37	76
Section 20 .....	<u>34</u>	<u>70</u>
Subtotal .....	550	1,514
<i>School Site (a)</i> .....	20	---
<i>Recreation Center (b)</i> .....	9	---
<i>Future Development</i> .....	7	---
<i>Non-Developable (c)</i> .....	<u>101</u>	<u>---</u>
Totals .....	686	1,514

(a) See “Status of Development—School Site” below.

(b) See “Status of Development—Recreation Center” below.

(c) Includes amenity lakes, easements, detention and drainage facilities, street right-of-way, a water plant site, and approximately 34 acres either in the 100-year flood plain or the Woodson’s Gully floodway.

## **Status of Development**

*Single-Family Residential:* As of June 6, 2018, the District consisted of 1,379 completed homes (1,379 occupied), 91 homes under construction, and 44 vacant developed lots. Homes in the District range in price from approximately \$200,000 to \$800,000. As of June 6, 2018, the estimated population in the District based upon 3.5 persons per occupied single-family residence was 4,826.

Homebuilders actively conducting building programs within the District are: Lennar Homes, David Weekley Homes, Partners in Building and Village Builders.

*School Site:* Conroe Independent School District has constructed the Birnham Woods Elementary School located on approximately 20 acres within the District. The school is not subject to ad valorem taxation.

*Recreation Center:* The District contains a 4,200 square foot recreation center known as The Lake Club with clubhouse, fitness center, meeting facilities, a competition-sized swimming pool, a children’s pool with splash pad, a playground, lighted tennis courts and picnic areas. These facilities are owned and operated by The Falls at Imperial Oaks Homeowners Association and are for the exclusive use of residents of the subdivision who pay annual membership fees.

*Parks and Recreational Facilities.* The District also contains parks and recreational facilities that were constructed by the Developer for the District pursuant to a Park Plan adopted and approved by the District on August 16, 2007. Facilities constructed for the District include walks, greenbelts, landscaping, lighting, waterfalls, lakes, walking/jogging trails, a sand volleyball court, picnic areas and a dog park. The proceeds of the Bonds will be used to reimburse the Developer for the parks and recreational facilities constructed for the District. See “THE SYSTEM—Future Debt.”

*Community Facilities:* A Kroger-anchored strip shopping center is located on Rayford Road approximately one mile south of the District. Several retail centers located at the intersection of IH 45 and Rayford Road and along IH 45 between Rayford Road and The Woodlands Parkway also provide residents of the District with shopping and banking facilities, and The Woodlands Mall, a regional shopping center, is located approximately five miles from the District. Lake Holcomb Recreation Area, a 120 acre recreational area with many amenities, including a 100-acre lake with a 2.5 mile nature trail around the lake, a fishing dock, pedestrian bridges and an additional recreational center “The Retreat” with a resort style pool, splash pad, playground and outdoor clubhouse, is located approximately one mile southeast of the District. Imperial Oaks Park, a 40 acre recreational facility with many amenities, is located one mile west of the District. Medical care for District residents is available from Memorial Hermann Woodlands Hospital, approximately seven miles from the District.

## **MANAGEMENT**

### **Board of Directors**

The District is governed by the Board of Directors, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms, and elections are held in May in even numbered years only. One of the Directors resides within the District and four of the Directors each own a small parcel of land within the District, subject to a deed of trust in favor of the Developer. The Directors and Officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Hal B. Sharp	President	May 2020
Catherine Ahearn	Vice President	May 2020
Cythia A. Giles	Secretary	May 2020
Leona G. Ohrt	Director	May 2022
Ben Mitchell	Director	May 2022

While the District does not employ any employees, it has contracted for certain services as follows:

**Tax Appraisal**

Land and improvements within the District are appraised for ad valorem taxation purposes by the Montgomery Central Appraisal District.

**Tax Assessor/Collector**

The District's tax assessor/collector is Equi-Tax, Inc. (the "Tax Assessor/Collector").

**Bookkeeper**

The District contracts with Myrtle Cruz, Inc. for bookkeeping services.

**Operator**

The District contracts with Municipal Operations & Consulting for operations and maintenance services.

**Engineer**

The consulting engineer for the District in connection with the design and construction of certain District facilities is IDS Engineering Group (the "Engineer").

**Attorney**

The District has engaged Smith, Murdaugh, Little & Bonham, L.L.P. as general counsel and as Bond Counsel in connection with the issuance of the Bonds. 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.

**Financial Advisor**

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon sale and delivery of the Bonds.

**Auditor**

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audit is filed with the Commission. The District's audited financial statements for the fiscal year ending May 31, 2017 have been prepared by McCall Gibson Swedlund Barfoot PLLC. See "APPENDIX A" for a copy of the District's May 31, 2017 audited financial statements. The District has engaged McCall Gibson Swedlund Barfoot PLLC to audit the District's financial statements for the fiscal year ending May 31, 2018.



## THE DEVELOPER

### **Role of a Developer**

In general, the activities of a developer in a municipal utility district such as the District include designing the project; defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the Commission to pave streets (in areas where district facilities are being financed with bonds), a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

The Developer is not obligated to pay principal of or interest on the Bonds. Furthermore, the Developer has no 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 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.

### **Imperial Oaks Development Corp.**

The developer of land within the District is Imperial Oaks Development Corp, a Texas corporation (the "Developer"). James R. Holcomb is the President of the Developer. With the consent of the District and pursuant to prefinancing contracts, the Developer has financed and, subject to certain conditions, is entitled to be reimbursed for the design and construction of certain water, sanitary sewer, drainage and recreational facilities.

James R. Holcomb has previously or is currently developing single family residential subdivisions in Imperial Oaks (a subdivision in the neighboring Rayford Road Municipal Utility District), Riverstone Ranch, Cypress Mill Estates, Cypress Mill Park, West Oaks Village and Plantation at First Colony, all located in the Houston area, through other entities organized for the purpose of developing each such subdivision. The District cautions that the foregoing development experience was gained in different markets and under different circumstances than exist today, and such prior success is no guarantee that the Developer will be successful in the development of land in the District.

## THE SYSTEM

### **Regulation**

Construction and operation of the District's water, wastewater and storm drainage systems as they now exist or as they may be expanded from time-to-time is subject to regulatory jurisdiction of federal, state and local authorities. The Commission exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to the regulatory authority of the Commission and the United States Environmental Protection Agency ("EPA"). Construction of all water, wastewater and storm drainage facilities is subject to the regulatory authority of Montgomery County, Texas, the Commission and the EPA.

### **Shared Central Plant Facilities**

In the initial planning of development within the District and Montgomery County Municipal Utility District No. 99 ("MUD 99"), the developers of both the District and MUD 99 agreed that the districts would share the costs of construction and operations and maintenance of central plant facilities to serve both districts, including one or more water plants, a wastewater treatment plant and one or more lift stations in order to achieve efficiency in operations and cost savings for the customers and taxpayers of both districts. The District, MUD 99 and the developers of both districts subsequently entered into a Fourth Amended and Restated Water Supply Agreement dated June 4, 2015 (the "Water Supply Agreement") and a Second Amended Waste Disposal Agreement dated May 27, 2014 (the "Waste Disposal Agreement"). Pursuant to the current Water Supply Agreement, neighboring Montgomery County Municipal Utility District No. 127 ("MUD 127") was added as a party. MUD 127 has purchased water capacity and will continue to do so as it is developed.

Pursuant to the Water Supply Agreement and the Waste Disposal Agreement, MUD 99 holds legal title to the central plant facilities, and MUD 99 operates the facilities. The District owns an equitable share of the capacity in the central plant facilities, and the District and MUD 99 share the costs of operations and maintenance of the central plant facilities as provided in the Agreements. MUD 127 also owns an equitable share of capacity in the water plant facilities. MUD 127 will operate its own sewage treatment plant and will therefore not participate in the shared sewer facilities.

The water distribution systems of all districts are interconnected at multiple locations, and the combined water distribution systems serve as a single integrated system receiving water from the shared water plant. The sanitary sewer collection systems of both the District and MUD 99 are interconnected at multiple locations, and the combined sewer collection systems serve as an integrated collection system delivering wastewater to the shared lift station and wastewater treatment plant.

The District, MUD 99 and MUD 127 are responsible for and bear the cost of maintenance and operation of the water distribution systems, and the District and MUD 99 are responsible for the cost of maintenance and operation of the sewer collection systems within their respective boundaries. There is one exception: a segment of water line and a segment of sewer line serve MUD 99 and the District. Construction costs of those shared lines were paid for based upon each party's pro rata share of the capacity of each line. The districts have a cost-sharing agreement for capital costs and maintenance costs associated with the shared lines.

The developers in the District and MUD 99 financed construction of the initial phase of the shared water plant, wastewater treatment plant and lift station. Since the initial phase of construction, both the water supply and wastewater treatment facilities have been expanded, as needed.

### **Water Supply**

The District owns water supply capacity in the shared water plants operated by MUD 99. The first water plant consists of a 900 gallons per minute ("gpm") well, a guaranteed 410 gpm surface water feed, two 318,000 gallon ground storage tanks, two 15,000 gallon pressure tanks, booster pump capacity of 3,450 gpm and related appurtenant equipment. According to the District engineer, the water plant has sufficient capacity to serve approximately 2,183 equivalent single family connections ("ESFCs"). The District's share of the water plant capacity is 1,482 ESFCs. Construction of the second water plant consisting of a 1,200 gpm well, a 318,000 gallon ground storage tank, two 900 gpm booster pumps, a 15,000 gallon pressure tank, and related appurtenant equipment is nearing completion and expected to be operational in summer 2018. According to the District's engineer, the combined water plant capacity is 3,683 ESFCs, and the District will own 2,576 ESFCs of capacity in the shared water system. Pursuant to the Water Supply Agreement, the District has a right to purchase additional capacity or upgrade the facilities, as needed, to serve its development, and MUD 99 and MUD 127 have the right to purchase additional capacity, as needed.

Additionally, the District has two emergency interconnects with Rayford Road MUD, which are normally closed.

### **Wastewater Treatment**

The District owns capacity in the shared 399,000 gallon per day ("gpd") wastewater treatment plant. The current permitted capacity of the treatment plant is 399,000 gpd, and the permit allows for the plant to treat up to 1,500,000 gpd of wastewater. Construction of the treatment plant will be completed in phases. The first three phases are complete, and design of the fourth expansion of the wastewater treatment plant is underway. It is estimated that the wastewater treatment plant will be expanded to 525,000 gpd which will provide capacity to serve 2,333 ESFCs. The current treatment plant has the capacity to serve approximately 1,564 ESFCs, of which the District owns 1,152 ESFCs. As of June 6, 2018, the shared wastewater treatment plant is serving a total of 1,757 ESFCs for both the District and MUD 99 and is operating at approximately 64% percent of its permitted capacity.

Unused connections in the plant are available until the next expansion is completed and can be utilized by the District, which would provide the District with capacity it needs to serve the existing connections. Proceeds from previously issued bonds will be used to design the next expansion of the wastewater treatment plant.

## **100-Year Flood Plain**

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. The District’s drainage system has been designed and constructed to all current standards. According to the District’s engineer, approximately 66 acres of land in the District are either within the 100-year flood plain or flood way as designated by the Federal Emergency Management Administration Insurance Rate Map for the area; however, such acreage may be developed if the lots are filled pursuant to a Federal Emergency Management Administration Letter of Map Amendment dated December 19, 2013 (Case No. 14-06-033A) and a Federal Emergency Management Administration Letter of Map Revision based on Fill dated September 19, 2013 (Case No. 13-06-3929A). Out of the 66 acres within the flood plain, approximately 32 acres have been developed within portions of the Falls at Imperial Oaks, Sections 5 and 19 and approximately 34 acres are not developable.

## **Lone Star Groundwater Conservation District**

The District is located within the boundaries of the Lone Star Groundwater Conservation District (the “Conservation District”) which was created by the Texas Legislature to conserve, protect and enhance the groundwater resources of Montgomery County. The Conservation District has adopted rules and a regulatory plan for the conservation, preservation, protection, recharge and prevention of waste of groundwater, groundwater reservoirs or their subdivisions and to control subsidence caused by the withdrawal of groundwater from those groundwater resources or their subdivisions.

The Conservation District requires persons and entities, including MUD 99 and the District, that pump groundwater from wells to apply for and obtain permits for the withdrawal of groundwater under terms and conditions provided in the Conservation District’s rules. The Conservation District has adopted its District Regulatory Plan, which calls for the reduction of groundwater withdrawal throughout Montgomery County to volumes that do not exceed the recharge capabilities of aquifers in the County to prevent the long term depletion of the aquifers. The regulatory plan allows for the creation of management zones within the County to facilitate conservation of use of groundwater and development of other water resources from surface water or re-use of treated effluent.

Large water users, including MUD 99 and the District, were required to prepare and submit a two-part Water Resources Assessment Plan (“WRAP”) that identified methods and plans for reduction of groundwater usage through the development of alternate water resources, including the design and construction of infrastructure facilities to purchase and transport surface water to affected areas within the County. The initial requirement and deadline for reduction of groundwater use by MUD 99 and the District by 30% was January 1, 2016.

MUD 99 and the District participated in a joint WRAP prepared by the San Jacinto River Authority (the “SJRA”) as described below, and the District is in compliance with Conservation District requirements.

## **San Jacinto River Authority GRP Agreement and Supplemental Agreement (Non-Mandatory Conversion to Surface Water)**

In response to the Conservation District requirements, the SJRA expressed a willingness to assume responsibility to construct and operate a surface water treatment plant at or near Lake Conroe and a water transmission system to major populated areas of Montgomery County, thus enabling the entire county to comply with the Conservation District requirements.

SJRA offered to enter into a contract for groundwater reduction planning, alternative water supply, and related goods and services (the “GRP Contract”) with all large water users in the county to achieve the goals for reduction of groundwater pumpage for the entire county. Approximately 147 larger volume water users in Montgomery County, including MUD 99 and, by extension, the District, approved and entered into the GRP Contract (“collectively the “Participants”) and are in compliance with SJRA and Conservation District requirements applicable to groundwater pumpage from the MUD 99 well. MUD 99 exercised its right to expand its service area to include MUD 127.

Pursuant to the GRP Contract, SJRA will develop, implement and enforce a groundwater reduction plan (“GRP”) covering all Participants to achieve and maintain compliance with the Conservation District requirements. The initial focus of the GRP will be the design and construction of a surface water treatment and transmission system (the “Project”) to be owned and operated by SJRA for the benefit of all Participants.

The SJRA will design, permit, finance, construct, own, operate and maintain the Project, and the Project will be constructed in phases. A group compliance approach will be utilized. Certain large volume Participants may be wholly-converted to treated surface water while other users may continue to use groundwater. This approach is expected to minimize overall Project cost, equalize costs for Participants and avoid geographic advantages and disadvantages.

All Participants will pay a monthly groundwater pumpage fee for groundwater pumped from wells. The pumpage fee shall be set so that Participants are neither benefitted nor penalized for utilizing groundwater, and allowances will be made for Participant costs of operating and maintaining their wells.

The Participants are also required to pay well permit fees assessed by the Conservation District, and the District's well permit is now aggregated with other GRP participants and is managed by the SJRA. The Conservation District currently bills permit holders (SJRA) 0.075 per 1,000 of water pumped from wells. SJRA passes those costs to the Participants.

Participants that receive treated surface water from the Project will pay the prevailing rate for water, which rate will be set so that Participants are neither benefitted nor penalized for being required to take water from the Project under the GRP, and allowances will be made for Participant costs of operating on-site water facilities, as well as operating and maintaining their wells. The pumpage fees and water service fees received from the Project will be comparable, so that all Participants will be paying equivalent charges without preference for customers within or outside the areas converted to surface water.

SJRA has issued \$544,555,358 principal amount of special project and water revenue bonds to finance the capital costs of the Project, and groundwater pumpage fees and water service fees will be used to cover costs of debt service on the bonds. Effective September 1, 2017, the SJRA assessed groundwater pumpage fees of \$2.64 per 1,000 gallons pumped from the MUD 99 well. MUD 99, MUD 127 and the District pay the pumpage fees based upon the amount of water delivered to each district each month. MUD 99, MUD 127 and the District pass these pumpage fees and Conservation District fees on to customers in the districts. The SJRA pumpage fees will increase as the costs of the Project are incurred, but the District is unable to predict the magnitude of such increases.

MUD 99 and the District had not initially been scheduled to receive water from the first phase of the Project in 2016. However, MUD 99 and the District requested that the SJRA provide surface water to MUD 99 and the District in 2016 under the terms of the SJRA's early conversion policy. Pursuant to the terms of such policy, the SJRA would pay for the engineering and half of the line construction costs, while the District and MUD 99, through advances from their developers to be reimbursed by such districts, would pay the other half of the construction costs. The request was approved, and the SJRA entered into a Supplemental Agreement (Non-Mandatory Conversion to Surface Water) with MUD 99, the District, and the respective developers. Pursuant to the terms of this agreement, the SJRA will be obligated to provide up to 590,000 gallons per day of treated surface water to MUD 99's water plant. MUD 99 will be required to take at least 253,000 gallons per day in this initial phase. MUD 115's developer committed the necessary funds for water delivery facilities, and construction of such surface water improvements are complete. Effective September 1, 2017, the SJRA assessed surface water fees of \$2.83 per 1,000 gallons of surface water delivered.

**Use and Distribution of Bond Proceeds**

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, \$3,048,847 is for construction costs, and \$1,006,153 is for nonconstruction costs.

**CONSTRUCTION COSTS**

Falls at Imperial Oaks Hardscape.....	\$	785,722
Falls at Imperial Oaks Planting and Irrigation.....		308,408
Falls at Imperial Oaks, Sections One, Three and Four Planting and Irrigation.....		288,588
Falls at Imperial Oaks, Section Eighteen Hardscape, Planting and Irrigation.....		129,639
Falls at Imperial Oaks, Section Five Planting and Irrigation.....		195,139
Falls at Imperial Oaks, Section Eleven Hardscape, Planting and Irrigation.....		146,026
Falls at Imperial Oaks, Section Fifteen Planting and Irrigation.....		73,693
Falls at Imperial Oaks, Section Nineteen Hardscape.....		36,015
Falls at Imperial Oaks, Section Nineteen Planting and Irrigation.....		107,205
Falls at Imperial Oaks, Section Twenty Planting and Irrigation.....		76,976
Imperial Oaks Recreation Center - Water, Wastewater, and Drainage.....		94,703
Imperial Oaks Amenity Lake - Excavation.....		492,856
Engineering.....		313,877

**Total Construction Costs** **\$ 3,048,847**

**NON-CONSTRUCTION COSTS**

Legal Fees.....	\$	86,100
Financial Advisory Fees.....		75,825
Developer Interest.....		610,260
Bond Discount (a).....		42,958
Bond Issuance Expenses.....		28,125
Bond Application Report.....		70,000
TCEQ Fee (0.25%).....		10,138
Attorney General Fee.....		4,055
Contingency (a).....		78,692

**Total Non-Construction Costs** **\$ 1,006,153**

**TOTAL BOND ISSUE** **\$ 4,055,000**

(a) In its order approving the Bonds, the Commission directed that any surplus bond proceeds resulting from the sale of the Bonds at a lower interest rate than that proposed, shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval by the Commission.

## **Future Debt**

With the consent of the District, and pursuant to the prefinancing contracts, the Developer of land in the District has financed the design and construction of improvements for which the Developer has not yet been reimbursed. As of May 31, 2018, the Developer has expended approximately \$4,300,000 for District parks and recreational facilities, which costs are expected to be reimbursed to the Developer from proceeds from future issues of District bonds for parks and recreational facilities. See “THE BONDS—Issuance of Additional Debt.” In addition, the District presently contains approximately 7 acres of developable land not presently served with water, sewer and drainage facilities. It is anticipated that either surplus construction or operating funds, if any, will be used or additional bonds will be issued to finance the construction of these facilities to serve the undeveloped acreage within the District. The District can make no representation that any additional development will occur within the District. According to the District Engineer, the District has adequate voted bonds to complete the current and planned land use projects.

### **BONDS AUTHORIZED BUT UNISSUED**

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
11/07/2006	Water, Sewer and Drainage Facilities and Refunding	\$120,000,000	\$48,760,000	\$71,240,000
11/06/2007	Recreational Facilities and Refunding Bonds	\$10,672,000	\$4,055,000*	\$6,617,000

\* Includes the Bonds.

## FINANCIAL STATEMENT

2017 Certified Taxable Assessed Valuation .....	\$377,335,846	(a)
2018 Preliminary Taxable Assessed Valuation .....	\$418,874,689	(b)
Estimated Taxable Assessed Valuation as of March 1, 2018 .....	\$420,687,356	(c)

Direct Debt:

Outstanding Bonds (as of May 31, 2018) .....	\$45,780,000	
Plus: The Bonds .....	<u>4,055,000</u>	
Gross Debt Outstanding .....	\$49,835,000	

Ratios of Gross Debt to:

2018 Preliminary Taxable Assessed Valuation .....	11.90%	
Estimated Taxable Assessed Valuation as of March 1, 2018 .....	11.85%	

Area of District – 686 Acres  
Estimated 2018 Population – 4,826 (d)

- (a) As certified by the Montgomery Central Appraisal District (the “Appraisal District”). See “TAX PROCEDURES.”
- (b) Provided by the Appraisal District as a preliminary indication of the 2018 taxable value (as of January 1, 2018). Such amount is subject to review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified in the fall of 2018. See “TAX PROCEDURES.”
- (c) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on March 1, 2018. Increases in value that occur between January 1, 2018 and March 1, 2018 will be assessed for purposes of taxation on January 1, 2019.
- (d) Based upon 3.5 persons per occupied home.

**Cash and Investment Balances** (unaudited as of June 7, 2018)

Capital Projects Fund	Cash and Temporary Investments	\$2,817,333
Operating Fund	Cash and Temporary Investments	\$3,551,224
Debt Service Fund	Cash and Temporary Investments	\$4,314,077 (a)

- (a) Includes \$2,191,888 for September 1, 2018 debt service payment. Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund.

**Outstanding Bonds** (as of May 31, 2018)

Series	Original Principal Amount	Outstanding Bonds (as of 5/31/18)
2009	\$ 3,460,000	\$ 465,000
2010	2,800,000	640,000
2011	2,120,000	750,000
212	2,120,000	1,940,000
2013	2,920,000	2,620,000
2014	3,750,000	3,525,000
2015	5,500,000	5,195,000
2015A	7,000,000	6,750,000
2016	9,635,000	9,435,000
2016A (a)	5,690,000	5,600,000
2017	8,860,000	8,860,000
Total	\$ 53,855,000	\$ 45,780,000

- (a) Unlimited tax refunding bonds.

**District Investment Policy**

The District’s goal is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Funds of the District are invested either in short term U.S. Treasury obligations or certificates of deposit insured by the Federal Deposit Insurance Corporation or secured by collateral held by a third party institution. The District does not own any long term securities or derivative products in the District’s investment portfolio.

**ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT**

Expenditures of the various taxing entities which include the territory in the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds (“Tax Debt”) was developed from information contained in “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date of such reports, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt allocable to the District.

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Percent</u>	<u>Overlapping Amount</u>
Montgomery County.....	\$412,305,000	04/30/18	0.62%	\$ 2,556,291
Conroe Independent School District.....	1,261,400,000	04/30/18	1.04%	13,118,560
Lone Star College System.....	638,425,000	04/30/18	0.18%	<u>1,149,165</u>
Total Estimated Overlapping Debt.....				\$ 16,824,016
The District’s Total Direct Debt (a).....				<u>49,835,000</u>
Total Direct and Estimated Overlapping Debt.....				<u>\$66,659,016</u>

Direct and Estimated Overlapping Debt as a Percentage of:

2018 Preliminary Taxable Assessed Valuation of \$418,874,689.....	15.91%
Estimated Taxable Assessed Valuation as of March 1, 2018 of \$420,687,356.....	15.85%

(a) The Bonds and the Outstanding Bonds.

**Overlapping Tax Rates for 2017**

	<u>2017 Tax Rate per \$100 of Taxable Assessed Valuation</u>
Montgomery County.....	\$ 0.46670
Montgomery County Hospital District.....	0.06640
Montgomery County Emergency Services District No. 8.....	0.10000
Conroe Independent School District.....	1.28000
Lone Star College System.....	<u>0.10780</u>
Total Overlapping Tax Rate.....	\$ 2.02090
The District.....	<u>1.35000</u>
Total Tax Rate.....	\$ 3.37090



## TAX DATA

### Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to these records for further and more complete information.

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of May 31, 2018 (a)	
				Amount	Percent
2013	\$ 114,499,009	\$ 1.35	\$ 1,545,758	\$ 1,545,758	100.00%
2014	172,032,685	1.35	2,322,464	2,322,464	100.00%
2015	257,952,489	1.35	3,482,420	3,482,420	100.00%
2016	336,575,425	1.35	4,543,772	4,541,874	99.96%
2017	377,335,846	1.35	5,094,147	5,068,775	99.50%

(a) Unaudited.

Taxes are due October 1 and are delinquent after January 31 of the following year. No split payments are allowed, and no discounts are allowed.

### Tax Rate Distribution

	2017	2016	2015	2014	2013
Debt Service	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.73	\$ 0.73
Maintenance and Operations	0.50	0.50	0.50	0.62	0.62
Total	\$ 1.35	\$ 1.35	\$ 1.35	\$ 1.35	\$ 1.35

### Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).  
 Maintenance: Unlimited (no legal limit as to rate or amount).

### Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2017 at the rate of \$0.85 per \$100 assessed valuation. See "Tax Rate Distribution" above.

### Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by the District's voters. At an election held November 7, 2006, the Board was authorized to levy such a maintenance tax in an unlimited rate in accordance with the constitution and laws of the state of Texas. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any additional tax bonds which may be issued in the future. The District levied a maintenance tax for 2017 at the rate of \$0.50 per \$100 assessed valuation. See "Tax Rate Distribution" above.

### Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation. For 2018, the District has adopted a \$10,000 exemption for persons who are 65 or older and/or disabled. The Developer has executed a Waiver of Special Appraisal, waiving its right to claim any agriculture or open space exemptions, or any other type of exemption or valuation, for the property it owns within the District that would reduce the assessed value of such land below its market value for purposes of ad valorem taxation by the District. Such waiver is binding for a period of thirty years.

**Additional Penalties**

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

**Principal Taxpayers**

The following list of principal taxpayers was provided by the District’s Tax Assessor/Collector based upon the 2017 tax roll which reflects ownership at January 1, 2017. Principal taxpayer lists related to the 2018 Preliminary Taxable Assessed Valuation, which is subject to review and downward adjustment prior to certification, and the Estimated Taxable Assessed Valuation as of March 1, 2018 are not available from the Appraisal District.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2017 Certified Taxable Assessed Valuation</u>	<u>% of 2017 Certified Taxable Assessed Valuation</u>
Imperial Oaks Development (a)	Acreage and Lots	\$ 3,084,440	0.82%
Weekley Homes LLC	Houses and Lots	3,064,232	0.81%
Lennar Homes of Texas Land & Construction Ltd.	Acreage and Lots	1,177,590	0.31%
Centerpoint Energy Houston Electric	Electric Utility	871,610	0.23%
Individual	Residence	743,890	0.20%
Individual	Residence	710,980	0.19%
Partners in Building LP	Acreage and Lots	699,490	0.19%
Individual	Residence	636,130	0.17%
Individual	Residence	613,000	0.16%
Individual	Residence	571,710	0.15%
Total		\$ 12,173,072	3.23%

(a) See “THE DEVELOPER.”

**Summary of Assessed Valuation**

The following summary of the 2017, 2016 and 2015 Assessed Valuation is provided by the District's Tax Assessor/Collector based on information contained in the 2017, 2016 and 2015 tax rolls of the District. Breakdowns of the 2018 Preliminary Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of March 1, 2018 are not available from the Appraisal District. Information in this summary may differ slightly from the assessed valuations shown herein due to differences in dates of data.

	<u>2017 Taxable Assessed Valuation</u>	<u>2016 Taxable Assessed Valuation</u>	<u>2015 Taxable Assessed Valuation</u>
Land	\$ 56,220,950	\$ 52,910,410	\$ 44,009,100
Improvements	335,641,700	296,987,460	226,609,280
Personal Property	4,076,254	3,085,588	1,936,487
Exemptions	(19,603,058)	(16,408,033)	(14,602,378)
Total	<u>\$ 377,335,846</u>	<u>\$ 336,575,425</u>	<u>\$ 257,952,489</u>

**Tax Adequacy for Debt Service**

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2018 Preliminary Taxable Assessed Valuation of \$418,874,689, which is subject to review and downward adjustment prior to certification and the Estimated Taxable Assessed Valuation as of March 1, 2018 of \$420,687,356 and a debt service tax rate necessary to pay the District’s average annual debt service requirements on the District’s Outstanding Bonds and the Bonds. See “INVESTMENT CONSIDERATIONS—Impact on District Tax Rates.”

Average Annual Debt Service Requirement (2018-2041).....	\$2,947,128
\$0.75 Tax Rate on the 2018 Preliminary Taxable Assessed Valuation.....	\$2,984,482
\$0.74 Tax Rate on Estimated Taxable Assessed Valuation as of March 1, 2018.....	\$2,957,432

No representations or suggestions are made that the 2018 Preliminary Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of March 1, 2018 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAX PROCEDURES.”

**TAX PROCEDURES**

**Authority to Levy Taxes**

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

**Tax Code and County-Wide Appraisal District**

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

The Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Montgomery Central Appraisal District has the responsibility for appraising property for all taxing units within Montgomery County, including the District. Such appraisal values are subject to review and change by the Montgomery 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; 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 has adopted a residential homestead exemption in the amount of \$10,000 for persons age 65 and older and disabled persons. Additionally, 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. 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. See “TAX DATA.”

Partially disabled veterans or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

***Residential Homestead Exemptions:*** The 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 District has never granted such a general homestead exemption and has no plans to do so. See "TAX DATA."

***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, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

### **Tax Abatement**

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

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

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the 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 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 Tax Code permits land designated for agricultural or timber land use to be appraised at its value based on the land's capacity to produce agricultural products or, with respect to timber land, the value based upon accepted income capitalization methods. The Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural, timber land or residential real property appraisal must apply for such appraisal, and the Appraisal District is required to act on each claimant's application individually. If a claimant receives the agricultural or timber land appraisal on land and later changes the land use or sells the land to an unqualified owner, an additional tax is imposed on the land equal to the difference between the taxes imposed on the land for each of the five years preceding the year in which the change of use occurs that the land was appraised as agricultural or timber land and the tax that would have been imposed had the land been taxed on the basis on market value in each of those years, plus interest at an annual rate of seven percent (7%) calculated from the dates on which the differences would have become due. Provisions of the Tax Code are complex and are not fully summarized here.

The 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.

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.

### **District and Taxpayer Remedies**

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

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

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. However, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and

interest, if the person requests an installment agreement in writing 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 who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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 tax payer 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.

### **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 over the prior year's tax bill. If a rollback election is called and passes, the rollback tax rate is the District's current year's debt service tax rate plus the operations and maintenance tax rate that would impose 1.08 times the amount of operations and maintenance tax imposed by the District in the preceding year on the average residence homestead, disregarding exemptions. The District's debt service tax rate, if any, cannot be changed by a rollback election.

### **District's Rights in the Event of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT." 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, among other collection methods available, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes". In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, 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 six (6) months for commercial property and two (2) years for residential 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. See "INVESTMENT CONSIDERATIONS."

### **The Effect of FIRREA on Tax Collections of the District**

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

## WATER AND SEWER OPERATIONS

### General

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the operation of the District's water and sewer operations are not pledged to the payment of the Bonds but are available for any lawful purpose including payment of debt service on the Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds.

### Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Operating Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ended 2014 through 2017 and an unaudited summary from the District's bookkeeper for the period ended May 31, 2018. Reference is made to such statements for further and complete information.

	Fiscal Year Ended May 31				
	2018 (a)	2017	2016	2015	2014
<b>Revenues</b>					
Property Taxes	\$ 1,905,034	\$ 1,668,696	\$ 1,294,652	\$ 1,070,160	\$ 702,158
Water Service	373,664	330,740	287,419	240,283	175,375
Wastewater Service	553,783	521,301	446,833	313,368	263,747
Conservation District/ Water Authority	524,148	452,707	357,693	235,386	153,573
Penalty and Interest	16,135	15,922	15,529	10,971	8,143
Tap Connection and Inspection Fees	119,863	112,645	126,890	251,440	167,880
Investment Income	4,143	2,221	1,030	740	403
Other	482,723	30,779	18,661	8,942	9,893
<b>Total Revenues</b>	<b>\$ 3,979,492</b>	<b>\$ 3,135,011</b>	<b>\$ 2,548,707</b>	<b>\$ 2,131,290</b>	<b>\$ 1,481,172</b>
<b>Expenditures</b>					
Professional Fees	\$ 181,588	\$ 104,720	\$ 146,127	\$ 115,628	\$ 177,964
Contracted Services	301,441	286,079	232,887	172,238	130,437
Purchased Water Services	704,459	634,049	548,354	405,355	289,834
Purchased Wastewater Services	286,041	318,080	191,565	174,394	171,938
Utilities	196,472	169,588	179,283	159,419	125,035
Repairs and Maintenance	511,744	713,204	476,884	379,750	248,703
Other	173,663	162,044	185,034	274,971	177,316
Capital Outlay	-	56,799	1,636,599 (b)	45,806	-
<b>Total Expenditures</b>	<b>\$ 2,355,409</b>	<b>\$ 2,444,563</b>	<b>\$ 3,596,733</b>	<b>\$ 1,727,561</b>	<b>\$ 1,321,227</b>
<b>Net Revenues</b>	<b>\$ 1,624,083</b>	<b>\$ 690,448</b>	<b>\$ (1,048,026)</b>	<b>\$ 403,729</b>	<b>\$ 159,945</b>
<b>Other Sources (Interfund Transfer)</b>	<b>\$ (237,884)</b>	<b>\$ 259,510</b>	<b>\$ 1,327,541 (c)</b>	<b>\$ 80,827 (d)</b>	<b>\$ 85,527 (d)</b>
<b>Fund Balance (Beginning of Year)</b>	<b>\$ 2,184,618</b>	<b>\$ 1,234,660</b>	<b>\$ 955,145</b>	<b>\$ 470,589</b>	<b>\$ 225,117</b>
<b>Fund Balance (End of Year)</b>	<b>\$ 3,570,817</b>	<b>\$ 2,184,618</b>	<b>\$ 1,234,660</b>	<b>\$ 955,145</b>	<b>\$ 470,589</b>

(a) Unaudited. Prepared by the District's bookkeeper.

(b) Includes \$1,327,541 contribution from the Developer for participation in the SJRA surface water line and \$309,058 for the District's share of the wastewater treatment plant expansion.

(c) Advance from the Developer for District's participation in the construction of the SJRA surface water line.

(d) Interfund transfer.

## DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds and the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2018	\$ 2,933,776				\$ 2,933,776
2019	2,915,799	\$ 1,055,000	\$ 77,308	\$ 1,132,308	4,048,107
2020	2,921,856	1,000,000	50,000	1,050,000	3,971,856
2021	2,918,594	500,000	35,000	535,000	3,453,594
2022	2,915,461	500,000	25,000	525,000	3,440,461
2023	2,914,859	500,000	15,000	515,000	3,429,859
2024	2,916,621	500,000	5,000	505,000	3,421,621
2025	2,904,571	-	-	-	2,904,571
2026	2,897,336	-	-	-	2,897,336
2027	2,892,169	-	-	-	2,892,169
2028	2,882,459	-	-	-	2,882,459
2029	2,885,784	-	-	-	2,885,784
2030	2,880,729	-	-	-	2,880,729
2031	2,882,469	-	-	-	2,882,469
2032	2,876,001	-	-	-	2,876,001
2033	2,861,244	-	-	-	2,861,244
2034	2,862,294	-	-	-	2,862,294
2035	2,883,988	-	-	-	2,883,988
2036	2,877,500	-	-	-	2,877,500
2037	2,871,906	-	-	-	2,871,906
2038	2,727,600	-	-	-	2,727,600
2039	2,331,875	-	-	-	2,331,875
2040	1,784,250	-	-	-	1,784,250
2041	1,729,625	-	-	-	1,729,625
<b>Total</b>	<b>\$ 66,468,765</b>	<b>\$ 4,055,000</b>	<b>\$ 207,308</b>	<b>\$ 4,262,308</b>	<b>\$ 70,731,074</b>

Maximum Annual Debt Service Requirement (2019)..... \$4,048,107  
Average Annual Debt Service Requirement (2018-2041)..... \$2,947,128



## **INVESTMENT CONSIDERATIONS**

### **General**

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

### **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 has experienced three storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

According to Municipal Operations & Consulting, Inc. (the "Operator"), the District's water and sewer system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, to the knowledge of the District, no homes within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

### **Economic Factors and Interest Rates**

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and of developed lots which are currently being marketed by the Developer for sale to homebuilders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability (see "Credit Markets and Liquidity in the Financial Markets" below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values

### **Credit Markets and Liquidity in the Financial Markets**

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 25 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A decline in the nation's real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth or reduce the value of the District's property tax base.

## **Competition**

The demand for and construction of single-family homes in the District, which is approximately 25 miles from downtown Houston, could be affected by competition from other residential developments in the northern portion of the Houston area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of builders in the sale of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

## **Landowner Obligation to the District**

There are no commitments from or obligations of the Developer, any homebuilder, or any landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots or developed tracts of land would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds the District will increase or maintain its taxable value.

## **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 2018 Preliminary Taxable Assessed Valuation of the District (see "FINANCIAL STATEMENT (UNAUDITED)") is \$418,874,689. After issuance of the Bonds, the maximum annual debt service requirement will be \$4,048,107 (2019) and the average annual debt service requirement will be \$2,947,128 (2018-2041). Assuming no increase or decrease from the 2018 Preliminary Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$1.02 per \$100 taxable assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$4,048,107 and a tax rate of \$0.75 per \$100 taxable assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$2,947,128 (see "DEBT SERVICE REQUIREMENTS"). The Estimated Taxable Assessed Valuation as of March 1, 2018, within the District is \$420,687,356. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of March 1, 2018, and a 95% collection rate, tax rates of \$1.02 and \$0.74 per \$100 taxable assessed valuation would be necessary to pay the maximum annual requirement and average annual requirement, respectively. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2018 Preliminary Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of March 1, 2018, the District can make no representations regarding the future level of assessed valuation within the District. Increases in taxable values depend primarily on the continuing construction and sale of taxable improvements within the District. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service." No representations or suggestions are made that the 2018 Preliminary Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of March 1, 2018 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAX PROCEDURES."

## **Future Debt**

The District reserves in the Bond Order the right to issue the remaining \$6,617,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of developing parks and recreational facilities and refunding purposes. The District also has \$71,240,000 principal amount of authorized and unissued unlimited tax bonds for the purpose of acquiring and constructing water, sewer and drainage facilities and refunding purposes. The District may issue additional bonds approved by District voters in future elections. The District may also issue refunding bonds. See "THE BONDS—Issuance of Additional Debt" and "THE SYSTEM." The issuance of such obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued; however, the principal amount of bonds issued to develop parks and recreational facilities may not exceed 1% of the District's taxable value. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities and recreational facilities must be approved by the Commission.

## **Tax Collections Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. 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. The costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAX PROCEDURES—District's Rights in the Event of Tax Delinquencies."

## **Registered Owners' Remedies and Bankruptcy Limitations**

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond 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.

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

### **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 in the Bond Order on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

### **Marketability**

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

### **Environmental Regulation and Air Quality**

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. On August 18, 2015, the TCEQ submitted a redesignation substitute report, which fulfilled the EPA's substitute requirements to lift anti-backsliding requirements for the 1997 Ozone Standards, which was revoked effective April 6, 2015. The EPA published final approval of the redesignation substitute report on November 6, 2016 with an effective date of December 8, 2016.

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 December 14, 2016, the EPA published a final determination of non-attainment and redesignation of the HGB area from marginal to moderate. 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”). A six-county area, including Brazoria, Chambers, Fort Bend, Galveston, Harris and Montgomery counties was designated non-attainment and classified marginal under the 2015 Ozone Standard, effective August 3, 2018. This will impose additional ozone-reduction obligations on the HGB area and 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 8, 2018. The TPDES Construction General Permit became effective on March 5, 2018, 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.

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 February 6, 2018, the states of Texas, Louisiana, and Mississippi filed a lawsuit in federal district court seeking an injunction enjoining the implementation and enforcement of the CWR.

On June 27, 2017, the EPA and the USACE released a proposed rule rescinding the CWR, reinstating language in place before 2015 changes, and proposing the development of a revised definition of “waters of the United States.” This proposed rule was published in the Federal Register on July 27, 2017, the comment period ended on September 28, 2017, and comments are currently under review by the agencies. The EPA plans to finalize the revised rule by the end of 2018. On January 31, 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR by two years from the date the rule is published in the Federal Register, until 2020. In response, a coalition of states filed a lawsuit in the U.S. District Court for the Southern District of New York alleging the EPA violated the Administrative Procedure Act by enacting this rule without the customary 30-day comment period. 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.”

Operations of Utility Districts are also potentially subject to stormwater discharge permitting requirements under the Clean Water Act and EPA and TCEQ regulations. The TCEQ issued a general permit for stormwater discharges associated with industrial activities (which was amended and reissued on July 13, 2016, effective August 14, 2016) and a general permit for stormwater discharges associated with small municipal separate storm sewer systems (which was issued on August 13, 2007 and was amended and reissued on December 11, 2013). Utility Districts in certain urbanized areas are also required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such 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. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code. A small portion of the District is located in the Woodlands Urbanized Area, but the portion of the District in that area does not service any residents. The District is therefore entitled to a waiver, and on April 11, 2014, the TCEQ approved such waiver.

## **LEGAL MATTERS**

### **Legal Opinion**

The District will furnish the Initial Purchaser a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax levied without limitation as to rate or amount upon all taxable property within the District. The District also will furnish the approving legal opinion of Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel to the District (“Bond Counsel”), to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application affecting rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property located within the District and that interest on the Bonds is excludable from gross income for federal income tax purposes under existing laws subject to the matters described under the caption which follows entitled “TAX MATTERS.”

### **Legal Review**

In its capacity as Bond Counsel, Smith, Murdaugh, Little & Bonham, L.L.P. has reviewed the information appearing in this Official Statement under the captions “THE BONDS,” (except for “Book-Entry-Only System”) “TAX PROCEDURES,” “THE DISTRICT—General,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. 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. Bond Counsel acts as general counsel for the District on matters other than the issuance of bonds.

### **No-Litigation Certificate**

The District will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

### **No Material Adverse Change**

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

## **TAX MATTERS**

### **Opinion**

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof, and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District’s federal tax certificate, and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

## **Federal Income Tax Accounting Treatment of Original Discount Bonds**

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof, or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

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

## **Federal Income Tax Accounting Treatment of Premium Bonds**

The initial public offering price of certain Bonds (the "Premium Bonds") is greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Bonds.

## **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.



The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, taxpayers qualifying for the health-insurance premium assistance credit, foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

### **Future and Proposed Legislation**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

### **State, Local and Foreign Taxes**

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

### **Qualified Tax-Exempt Obligations for Financial Institutions**

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a “financial institution” allocable to tax-exempt obligations, other than “private activity bonds,” that are designated by a “qualified small issuer” as “qualified tax- exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “subordinate” issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as any “bank” described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a “bank,” as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty-percent (20%) as a “financial institution preference item.”

The District has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect the treatment of the Bonds as “qualified tax-exempt obligations.”

## **MUNICIPAL BOND RATING**

Moody's Investors Service ("Moody's") has assigned a credit rating of "A3" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York, 10007.

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

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

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of \$4,012,041.75, representing 98.9406% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 2.414438% as calculated pursuant to Chapter 1204 of the Texas Government Code.

### **Prices and Marketability**

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any 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 offering 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 that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

### **Securities Laws**

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

## **PREPARATION OF OFFICIAL STATEMENT**

### **Sources and Compilation of Information**

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

## **Financial Advisor**

Masterson Advisors LLC is engaged as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

“THE DISTRICT” - IDS Engineering Group (“Engineer”) and Records of the District (“Records”); “THE DEVELOPER” - Imperial Oaks Development Corp.; “THE SYSTEM” - Engineer; “BONDS AUTHORIZED BUT UNISSUED” - Records; “FINANCIAL STATEMENT” - Montgomery Central Appraisal District and Equi-Tax, Inc., Tax Assessor/Collector; “ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT” - Municipal Advisory Council of Texas and Financial Advisor; “TAX DATA” - Equi-Tax, Inc.; “MANAGEMENT” - District Directors; “WATER AND SEWER OPERATIONS” - Records; “DEBT SERVICE REQUIREMENTS” - Financial Advisor; “THE BONDS (except for Book-Entry-Only System),” “TAX PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” - Smith, Murdaugh, Little & Bonham, L.L.P.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

## **Consultants**

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants.

Auditor: The District's audited financial statements for the year ended May 31, 2017, were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountant. See “APPENDIX A” for a copy of the District's May 31, 2017, audited financial statements.

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the System and, in particular that information included in the sections entitled “THE DISTRICT” and “THE SYSTEM,” has been provided by IDS Engineering Group, and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the assessed valuations has been provided by the Montgomery Central Appraisal District and has been included herein in reliance upon the authority of such entity to establish the taxable value of property in Montgomery County, including the District.

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the Certified Taxable Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Equi-Tax, Inc., and is included herein in reliance upon the authority of such person as an expert in assessing and collecting taxes.

Bookkeeper: The information related to the “unaudited” summary of the District's General Operating Fund as it appears in “WATER AND SEWER OPERATIONS” has been provided by Myrtle Cruz, Inc. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

## **Updating the Official Statement**

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the 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 on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

## **Certification of Official Statement**

The District, acting through its Board of Directors in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District.

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Order, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available to the public without charge through its Electronic Municipal Market Access ("EMMA") internet portal at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Annual Reports**

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated includes the quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "FINANCIAL STATEMENT," "THE SYSTEM," "TAX DATA," "WATER AND SEWER OPERATIONS" and "DEBT SERVICE REQUIREMENTS" (most of which information is contained in the District's annual audit report and supplemental schedules) and in APPENDIX A. The District will update and provide this information to the MSRB within six (6) months after the end of each fiscal year ending in or after 2018.

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

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

### **Specified Event Notices**

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of 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 to a decision to purchase or sell Bonds. 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 financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

**Availability of Information from the MSRB**

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

**Limitations and Amendments**

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

The District may amend its continuing disclosure agreement from time to time to adapt to 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 (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and Beneficial Owners of the Bonds. 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 so provided.

**Compliance With Prior Undertakings**

During the last five years, the District has complied in all material respects with its previous continuing disclosure agreements.

**MISCELLANEOUS**

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

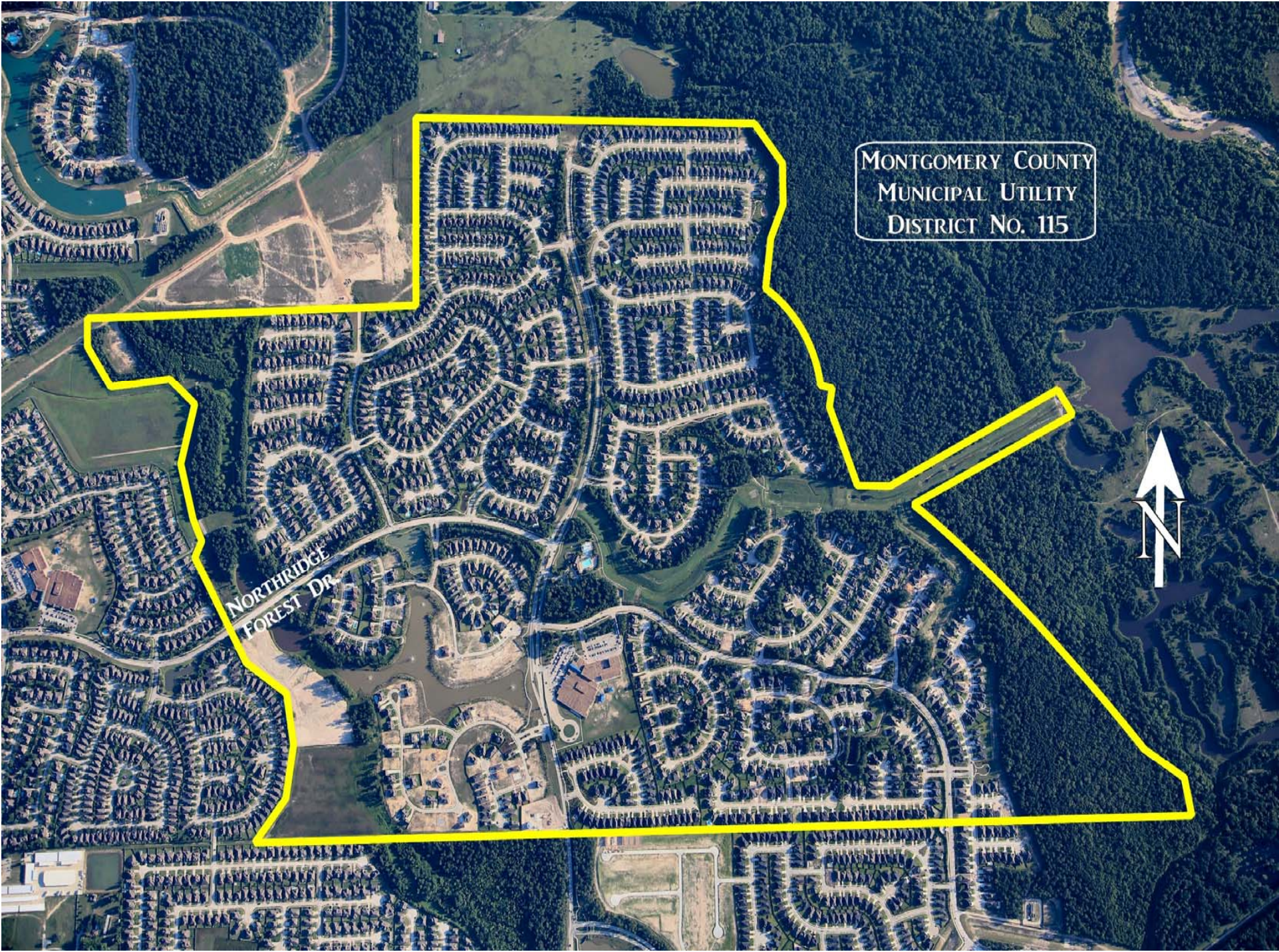
This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 115, as of the date shown on the cover page.

/s/ Hal B. Sharp  
President, Board of Directors

ATTEST:

/s/ Cynthia A. Giles  
Secretary, Board of Directors

**AERIAL PHOTOGRAPH**  
**(As of May 2018)**



MONTGOMERY COUNTY  
MUNICIPAL UTILITY  
DISTRICT NO. 115

NORTH RIDGE  
FOREST DR



**PHOTOGRAPHS OF THE DISTRICT**  
**(As of May 2018)**















**APPENDIX A**

**District Audited Financial Statements for the fiscal year ended May 31, 2017**

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**MONTGOMERY COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**MAY 31, 2017**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
Certified Public Accountants



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**MONTGOMERY COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**MAY 31, 2017**

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# McCALL GIBSON SWEDLUND BARFOOT PLLC

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Montgomery County Municipal  
Utility District No. 115  
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 115 (the "District"), as of and for the year ended May 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

Board of Directors  
Montgomery County Municipal  
Utility District No. 115

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of May 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*McCall Gibson Swedlund Barfoot PLLC*

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

October 5, 2017

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2017**

Management's discussion and analysis of Montgomery County Municipal Utility District No. 115's (the "District") financial performance provides an overview of the District's financial activities for the year ended May 31, 2017. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2017**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets and deferred outflows of resources by \$4,711,242 as of May 31, 2017.

A portion of the District's net position reflects its net investment in capital assets (land and land improvements, construction in progress, streetlights, water, wastewater and drainage facilities, parks and recreation facilities and investment in water and wastewater plants less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The following is a comparative analysis of government-wide changes in net position:

	<u>Summary of Changes in the Statement of Net Position</u>		
	2017	2016	Change Positive (Negative)
Current and Other Assets	\$ 10,943,259	\$ 5,285,125	\$ 5,658,134
Capital Assets (Net of Accumulated Depreciation)	<u>36,132,375</u>	<u>32,794,895</u>	<u>3,337,480</u>
Total Assets	\$ <u>47,075,634</u>	\$ <u>38,080,020</u>	\$ <u>8,995,614</u>
Deferred Outflows of Resources	\$ <u>658,271</u>	\$ <u>-0-</u>	\$ <u>658,271</u>
Due to Developer	\$ 4,503,983	\$ 13,807,895	\$ 9,303,912
Long -Term Liabilities	45,881,404	27,658,285	(18,223,119)
Other Liabilities	<u>2,059,760</u>	<u>1,217,680</u>	<u>(842,080)</u>
Total Liabilities	\$ <u>52,445,147</u>	\$ <u>42,683,860</u>	\$ <u>(9,761,287)</u>
Net Position:			
Net Investment in Capital Assets	\$ (10,411,180)	\$ (8,082,005)	\$ (2,329,175)
Restricted	3,501,557	2,238,190	1,263,367
Unrestricted	<u>2,198,381</u>	<u>1,239,975</u>	<u>958,406</u>
Total Net Position	\$ <u>(4,711,242)</u>	\$ <u>(4,603,840)</u>	\$ <u>(107,402)</u>

The following table provides a summary of the District's operations for the years ended May 31, 2017, and May 31, 2016. The District's net position decreased by \$107,402 during the year ended May 31, 2017.

	<u>Summary of Changes in the Statement of Activities</u>		
	2017	2016	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 4,527,927	\$ 3,482,749	\$ 1,045,178
Charges for Services	1,444,639	1,245,905	198,734
Other Revenues	<u>39,580</u>	<u>23,542</u>	<u>16,038</u>
Total Revenues	\$ <u>6,012,146</u>	\$ <u>4,752,196</u>	\$ <u>1,259,950</u>
Expenses for Services	<u>6,119,548</u>	<u>4,526,831</u>	<u>(1,592,717)</u>
Change in Net Position	\$ (107,402)	\$ 225,365	\$ (332,767)
Net Position, Beginning of Year	<u>(4,603,840)</u>	<u>(4,829,205)</u>	<u>225,365</u>
Net Position, End of Year	\$ <u>(4,711,242)</u>	\$ <u>(4,603,840)</u>	\$ <u>(107,402)</u>

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND**

The District's combined fund balances as of May 31, 2017, were \$10,349,006, an increase of \$5,401,645 for the year then ended.

The General Fund fund balance increased by \$949,958, primarily due to operating revenues exceeding operating costs.

The Debt Service Fund fund balance increased by \$1,297,406, primarily due to the current year sale of bonds and the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance increased by \$3,154,281, primarily due to current year bond proceeds exceeding capital outlay.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the year ended May 31, 2017. Actual revenue was \$364,011 more than budgeted revenue primarily due to more property taxes, wastewater service and conservation district/water authority fees revenue being collected than budgeted. Actual expenditures were more than budgeted expenditures by \$996,813 primarily due to more purchased water service, purchased wastewater service and repairs and maintenance expenditures than budgeted.

**CAPITAL ASSETS**

The District's capital assets as of May 31, 2017, amount to \$36,132,375 (net of accumulated depreciation). These capital assets include the water, wastewater and drainage systems, as well as parks and recreational facilities and the District's investment in the water and wastewater plants operated by Montgomery County Municipal Utility District No. 99.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2017	2016	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 922,823	\$ 857,814	\$ 65,009
Construction in Progress	3,337,035	1,936,219	1,400,816
Capital Assets, Net of Accumulated Depreciation:			
Street Lights	87,958	21,584	66,374
Water System	3,811,958	3,484,598	327,360
Wastewater System	7,887,740	7,372,056	515,684
Drainage System	15,695,015	14,958,091	736,924
Parks and Recreation	1,550,042	1,707,711	(157,669)
Investment in Water and Wastewater Plants	2,839,804	2,456,822	382,982
<b>Total Net Capital Assets</b>	<b>\$ 36,132,375</b>	<b>\$ 32,794,895</b>	<b>\$ 3,337,480</b>



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2017**

**LONG-TERM DEBT ACTIVITY**

As of May 31, 2017, the District had total bond debt payable of \$46,960,000.

The changes in the debt position of the District during the year ended May 31, 2017, are summarized as follows:

Bond Debt Payable, June 1, 2016		\$ 28,490,000
Add: Bond Sales		24,185,000
Less: Bond Principal Paid / Refunded		<u>5,715,000</u>
Bond Debt Payable, May 31, 2017		<u>\$ 46,960,000</u>

During the year, the District had three bond issuances: Unlimited Tax Bonds, Series 2016 for \$9,635,000, Unlimited Tax Refunding Bonds, Series 2016A for \$5,690,000 and Unlimited Tax Bonds, Series 2017 for \$8,860,000. See Note 3 for additional details on these issuances.

The District's Series 2015A, Series 2016, Series 2016A and Series 2017 bonds have an underlying rating of A3 from Moody's Rating Services. The Series 2015A, Series 2016A and Series 2017 bonds have an insured rating of AA from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2016 bonds have an insured rating of A3 from Moody's Rating Services and AA from Standard & Poor's by virtue of bond insurance issued by National Public Finance Guarantee Corporation. The District's Series 2009, Series 2010, Series 2011, Series 2012, Series 2013, Series 2014 and Series 2015 bonds do not have an underlying rating or an insured rating. All ratings are as of May 31, 2017, and reflect changes, if any, through that date.

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

The adopted budget for fiscal year 2018 projects a General Fund fund balance increase of \$852,950. General Fund revenues are budgeted to be \$3,181,700, while expenditures are budgeted to be \$2,328,750.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Montgomery County Municipal Utility District No. 115, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**MAY 31, 2017**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 2,273,475	\$ 3,841,893
Receivables:		
Property Taxes	13,763	23,394
Penalty and Interest on Delinquent Taxes		
Service Accounts	99,319	
Due from Other Funds	15,792	
Prepaid Costs	4,967	
Due from Other Governmental Units		
Advance for Water Plant Operations	10,000	
Advance for Regional Wastewater Treatment Plant Operations	9,270	
Capital Assets (Net of Accumulated Depreciation):		
Land and Land Improvements		
Construction in Progress		
Street Lights		
Water, Wastewater and Drainage Systems		
Park and Recreation		
Investment in Water and Wastewater Plants		
<b>TOTAL ASSETS</b>	<b>\$ 2,426,586</b>	<b>\$ 3,865,287</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
<b>TOTAL ASSETS AND DEFERRED     OUTFLOWS OF RESOURCES</b>	<b>\$ 2,426,586</b>	<b>\$ 3,865,287</b>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 4,630,438	\$ 10,745,806	\$	\$ 10,745,806
	37,157		37,157
	99,319	3,303	3,303
	15,792	(15,792)	99,319
	4,967		4,967
33,437	33,437		33,437
	10,000		10,000
	9,270		9,270
		922,823	922,823
		3,337,035	3,337,035
		87,958	87,958
		27,394,713	27,394,713
		1,550,042	1,550,042
		2,839,804	2,839,804
<u>\$ 4,663,875</u>	<u>\$ 10,955,748</u>	<u>\$ 36,119,886</u>	<u>\$ 47,075,634</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 658,271</u>	<u>\$ 658,271</u>
<u>\$ 4,663,875</u>	<u>\$ 10,955,748</u>	<u>\$ 36,778,157</u>	<u>\$ 47,733,905</u>

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**MAY 31, 2017**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 88,107	\$
Accrued Interest Payable		7,267
Due to Other Governmental Units	69,933	
Due to Developers		
Due to Other Funds		11,648
Due to Taxpayers		22,151
Security Deposits	70,165	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
<b>TOTAL LIABILITIES</b>	<b>\$ 228,205</b>	<b>\$ 41,066</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 13,763	\$ 23,394
<b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 4,967	\$
For Water Plant Operations	10,000	
For Regional Wastewater Treatment Plant Operations	9,270	
Restricted for:		
Authorized Construction		
Debt Service		3,800,827
Unassigned	2,160,381	
<b>TOTAL FUND BALANCES</b>	<b>\$ 2,184,618</b>	<b>\$ 3,800,827</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,426,586</b>	<b>\$ 3,865,287</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 6,800	\$ 94,907	\$	\$ 94,907
	7,267	325,967	333,234
289,370	359,303		359,303
		4,503,983	4,503,983
4,144	15,792	(15,792)	
	22,151		22,151
	70,165		70,165
		1,180,000	1,180,000
		45,881,404	45,881,404
<u>\$ 300,314</u>	<u>\$ 569,585</u>	<u>\$ 51,875,562</u>	<u>\$ 52,445,147</u>
<u>\$ - 0 -</u>	<u>\$ 37,157</u>	<u>\$ (37,157)</u>	<u>\$ - 0 -</u>
\$	\$ 4,967	\$ (4,967)	\$
	10,000	(10,000)	
	9,270	(9,270)	
4,363,561	4,363,561	(4,363,561)	
	3,800,827	(3,800,827)	
	2,160,381	(2,160,381)	
<u>\$ 4,363,561</u>	<u>\$ 10,349,006</u>	<u>\$ (10,349,006)</u>	<u>\$ - 0 -</u>
<u>\$ 4,663,875</u>	<u>\$ 10,955,748</u>		
		\$ (10,411,180)	\$ (10,411,180)
		3,501,557	3,501,557
		2,198,381	2,198,381
		<u>\$ (4,711,242)</u>	<u>\$ (4,711,242)</u>

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
MAY 31, 2017**

Total Fund Balances - Governmental Funds \$ 10,349,006

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 36,132,375

Deferred tax revenues and uncollected penalty and interest revenues on delinquent taxes for the 2016 and prior tax levies became part of recognized revenue in the governmental activities of the District. 40,460

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 658,271

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (4,503,983)	
Accrued Interest Payable	(325,967)	
Bonds Payable Within One Year	(1,180,000)	
Bonds Payable After One Year	<u>(45,881,404)</u>	<u>(51,891,354)</u>

Total Net Position - Governmental Activities \$ (4,711,242)

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

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**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED MAY 31, 2017**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>REVENUES</b>		
Property Taxes	\$ 1,668,696	\$ 2,836,423
Water Service	330,740	
Wastewater Service	521,301	
Conservation District/Water Authority Fees	452,707	
Penalty and Interest	15,922	9,443
Tap Connection and Inspection Fees	112,645	
Investment Revenues	2,221	4,532
Miscellaneous Revenues	<u>30,779</u>	
<b>TOTAL REVENUES</b>	<u>\$ 3,135,011</u>	<u>\$ 2,850,398</u>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 104,720	\$
Contracted Services	286,079	60,708
Purchased Water Service	634,049	
Purchased Wastewater Service	318,080	
Utilities	169,588	
Repairs and Maintenance	713,204	
Depreciation		
Other	162,044	5,465
Capital Outlay	56,799	
Debt Service:		
Bond Principal		620,000
Bond Interest		1,122,112
Bond Issuance Costs		<u>224,274</u>
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 2,444,563</u>	<u>\$ 2,032,559</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<u>\$ 690,448</u>	<u>\$ 817,839</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In (Out)	\$ 259,510	\$
Long-Term Debt Issued		253,641
Refunding Bonds		5,690,000
Payment to Refunded Bond Escrow Agent		(5,655,937)
Bond Premium		<u>191,863</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ 259,510</u>	<u>\$ 479,567</u>
<b>NET CHANGE IN FUND BALANCES</b>	\$ 949,958	\$ 1,297,406
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - JUNE 1, 2016</b>	<u>1,234,660</u>	<u>2,503,421</u>
<b>FUND BALANCES/NET POSITION - MAY 31, 2017</b>	<u>\$ 2,184,618</u>	<u>\$ 3,800,827</u>

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



Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 4,505,119	\$ 22,808	\$ 4,527,927
	330,740		330,740
	521,301		521,301
	452,707		452,707
	25,365	1,881	27,246
	112,645		112,645
2,048	8,801		8,801
	30,779		30,779
<u>\$ 2,048</u>	<u>\$ 5,987,457</u>	<u>\$ 24,689</u>	<u>\$ 6,012,146</u>
\$	\$ 104,720	\$	\$ 104,720
	346,787		346,787
	634,049		634,049
	318,080		318,080
	169,588		169,588
	713,204		713,204
		985,325	985,325
1,366	168,875		168,875
13,569,918	13,626,717	(13,626,717)	
	620,000	(620,000)	
	1,122,112	74,202	1,196,314
<u>1,258,332</u>	<u>1,482,606</u>		<u>1,482,606</u>
<u>\$ 14,829,616</u>	<u>\$ 19,306,738</u>	<u>\$ (13,187,190)</u>	<u>\$ 6,119,548</u>
<u>\$ (14,827,568)</u>	<u>\$ (13,319,281)</u>	<u>\$ 13,211,879</u>	<u>\$ (107,402)</u>
\$ (259,510)	\$	\$	\$
18,241,359	18,495,000	(18,495,000)	
	5,690,000	(5,690,000)	
	(5,655,937)	5,655,937	
	191,863	(191,863)	
<u>\$ 17,981,849</u>	<u>\$ 18,720,926</u>	<u>\$ (18,720,926)</u>	<u>\$ -0-</u>
\$ 3,154,281	\$ 5,401,645	\$ (5,401,645)	\$
		(107,402)	(107,402)
<u>1,209,280</u>	<u>4,947,361</u>	<u>(9,551,201)</u>	<u>(4,603,840)</u>
<u>\$ 4,363,561</u>	<u>\$ 10,349,006</u>	<u>\$ (15,060,248)</u>	<u>\$ (4,711,242)</u>

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2017**

Net Change in Fund Balances - Governmental Funds	\$ 5,401,645
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	22,808
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	1,881
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(985,325)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	13,626,717
Governmental funds report bond premiums and discounts as other financing sources and uses in the year paid. However, in the Statement of Net Position, bond premiums and discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(215,785)
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	620,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(50,280)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(24,185,000)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.	<u>5,655,937</u>
Change in Net Position - Governmental Activities	<u>\$ (107,402)</u>

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 1. CREATION OF DISTRICT**

Montgomery County Municipal Utility District No. 115 (the "District") was created effective March 22, 2006, by an Order of the Texas Commission on Environmental Quality, (the "Commission"). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on July 6, 2006, and the District sold its first series of bonds on October 15, 2009.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether 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 statement as component units.

The District has entered into an agreement with Montgomery County Municipal Utility District No. 99 ("District No. 99") for water service through the District No. 99 joint water plant. District No. 99 has oversight over the water plant. Additional disclosure concerning this agreement is provided in Note 9. The water plant's financial information is included in the financial statements for District No. 99. Copies of the financial statements can be obtained from the District's auditor.

The District has entered into an agreement with District No. 99 for wastewater disposal through the regional wastewater treatment plant. District No. 99 has oversight responsibility over the wastewater plant. Additional disclosure concerning this agreement is provided in Note 10. The wastewater plant's financial information is included in the financial statements for District No. 99. Copies of the financial statements can be obtained from the District's auditor.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

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

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

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

Basis of Accounting

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Service Accounts Receivable

The District provides for uncollectible accounts receivable through the allowance method of accounting. Under this method a provision for uncollectible accounts is charged to bad debt expense, and the allowance account is increased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the account. At May 31, 2017, the District had no allowance for doubtful accounts.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets (Continued)

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over three years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the year ended May 31, 2017.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll purposes only.

Measurement Focus

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

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

*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.

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

*Committed:* amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

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

*Unassigned:* all other spendable amounts in the General Fund.

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

Accounting Estimates

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



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 3. LONG-TERM DEBT**

	Series 2009	Series 2010
Amounts Outstanding – May 31, 2017	\$ 560,000	\$ 730,000
Interest Rates	4.80% - 5.10%	3.90% - 4.50%
Maturity Dates – Serially Beginning/Ending	September 1, 2017/2021	September 1, 2017/2023
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2018*	September 1, 2019*

	Series 2011	Series 2012	Series 2013
Amounts Outstanding – May 31, 2017	\$ 825,000	\$ 1,990,000	\$ 2,720,000
Interest Rates	2.75% - 4.70%	2.00% - 4.00%	2.00% - 3.875%
Maturity Dates – Serially Beginning/Ending	September 1, 2017/2027	September 1, 2017/2035	September 1, 2017/2037
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2019*	September 1, 2020*	September 1, 2020*

\* The Bonds are subject to redemption at the option of the District prior to their maturity in whole or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2011 term bonds due September 1, 2022, 2024, and 2027, Series 2012 term bonds due September 1, 2029, 2032, and 2035, and Series 2013 term bonds due September 1, 2037 are subject to mandatory redemption by lot or other customary method at a price of par plus accrued interest on September 1 in the years and amounts as reflected in the debt service schedules.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 3. LONG-TERM DEBT (Continued)**

	<u>Series 2014</u>	<u>Series 2015</u>	<u>Series 2015A</u>
Amounts Outstanding – May 31, 2017	\$ 3,600,000	\$ 5,350,000	\$ 7,000,000
Interest Rates	3.00% - 4.375%	2.00% - 4.00%	2.00% - 3.75%
Maturity Dates – Serially Beginning/Ending	September 1, 2017/2037	September 1, 2017/2038	September 1, 2017/2039
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2021**	September 1, 2022**	September 1, 2023**
	<u>Series 2016</u>	<u>Refunding Series 2016A</u>	<u>Series 2017</u>
Amounts Outstanding – May 31, 2017	\$ 9,635,000	\$ 5,690,000	\$ 8,860,000
Interest Rates	2.00% - 3.00%	2.00% - 4.00%	2.00% - 3.50%
Maturity Dates – Serially Beginning/Ending	September 1, 2017/2041	September 1, 2017/2034	September 1, 2018/2041
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2023**	September 1, 2024**	September 1, 2024**

\*\* The Bonds are subject to redemption at the option of the District prior to their maturity in whole or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2014 term bonds due September 1, 2035, and 2037, Series 2015 term bonds due September 1, 2038, Series 2015A term bonds due September 1, 2037, and 2039, Series 2016 term bonds due September 1, 2038 and 2041, Series 2016A term bonds due September 1, 2028, 2032 and 2034, and Series 2017 term bonds due September 1, 2032, 2037, 2039 and 2041 are subject to mandatory redemption by lot or other customary method at a price of par plus accrued interest on September 1 in the years and amounts as reflected in the debt service schedules.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 3. LONG-TERM DEBT (Continued)**

On September 14, 2016, the District issued \$9,635,000 of Unlimited Tax Bonds, Series 2016, with interest rates ranging from 2.00% to 3.00%. The net proceeds of \$9,086,762 (after payment of underwriter fees and other bond issuance costs) were deposited with the District's investment accounts to finance construction costs and to pay for accrued bond interest and subsequent bond issue costs.

On November 29, 2016, the District issued Unlimited Tax Refunding Bonds, Series 2016A of \$5,690,000 with interest rates ranging from 2.00% to 4.00% to advance refund \$2,435,000, \$1,665,000 and \$995,000 of its previously issued Series 2009, Series 2010 and Series 2011 bonds, respectively, in order to lower its overall debt service requirements. The net proceeds of \$5,671,019 (after payment of underwriting fees and other issuance costs) were used for the following: \$5,655,937 was deposited with an escrow agent to provide the debt service payment on the portion of bonds refunded and \$15,082 was deposited in the Debt Service Fund for future interest and bond issuance costs. As a result, \$5,095,000 of bond principal is considered defeased and the liability for these bonds was removed from the basic financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$560,937; this amount is considered a deferred outflow of resources and amortized over the life of the refunded debt which is shorter than or equal to the life of the new debt issued. The advance refunding resulted in an economic gain of \$440,102 and an overall debt service savings of \$585,715.

On May 11, 2017, the District issued \$8,860,000 of Unlimited Tax Bonds, Series 2017, with interest rates ranging from 2.00% to 3.50%. The net proceeds of \$8,652,754 (after payment of underwriter fees and other bond issuance costs) were deposited with the District's investment accounts to finance construction costs and to pay for accrued bond interest and subsequent bond issue costs.

As of May 31, 2017, the District had authorized but unissued bonds in the amount of \$71,240,000 for utility facilities and \$10,672,000 for recreational facilities.

The following is a summary of transactions regarding long-term liabilities for the year ended May 31, 2017:

	June 1, 2016	Additions	Retirements	May 31, 2017
Bonds Payable	\$ 28,490,000	\$ 24,185,000	\$ 5,715,000	\$ 46,960,000
Unamortized Discounts	(211,715)		(126,670)	(85,045)
Unamortized Premiums		191,863	5,414	186,449
Total Long-Term Liabilities	<u>\$ 28,278,285</u>	<u>\$ 24,376,863</u>	<u>\$ 5,593,744</u>	<u>\$ 47,061,404</u>
			Amount Due Within One Year	\$ 1,180,000
			Amount Due After One Year	<u>45,881,404</u>
			Total Long-Term Liabilities	<u>\$ 47,061,404</u>

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 3. LONG-TERM DEBT (Continued)**

As of May 31, 2017, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 1,180,000	\$ 1,456,106	\$ 2,636,106
2019	1,450,000	1,464,787	2,914,787
2020	1,470,000	1,426,327	2,896,327
2021	1,515,000	1,385,224	2,900,224
2022	1,555,000	1,342,027	2,897,027
2023-2027	8,385,000	6,044,710	14,429,710
2028-2032	9,635,000	4,628,035	14,263,035
2033-2037	11,300,000	2,861,482	14,161,482
2038-2042	10,470,000	794,306	11,264,306
	<u>\$ 46,960,000</u>	<u>\$ 21,403,004</u>	<u>\$ 68,363,004</u>

In current year, the District defeased certain outstanding general obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all the future debt service payments on the old bonds. Accordingly, the trust account assets and the defeased bonds are not included in the District's financial statements. At May 31, 2017, outstanding bonds of \$5,095,000 are considered defeased.

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

During the year ended May 31, 2017, the District levied an ad valorem debt service tax rate of \$0.85 per \$100 of assessed valuation, which resulted in a tax levy of \$2,851,192 on the adjusted taxable valuation of \$335,434,204 for the 2016 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 8 for the maintenance tax levy.

The District's tax calendar is as follows:

- Levy Date - October 1 or as soon thereafter as practicable.
- Lien Date - January 1.
- Due Date - Not later than January 31.
- Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**

The bond orders state that all investments and any profits realized from or interest accruing on such investments shall belong to the fund from which the monies for such investments were taken; provided, however, at the discretion of the Board of Directors, the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund. In accordance with this provision, the earnings in each fund have been retained by the fund making the investment.

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the state information depository. This information, along with the audited annual financial statements, is to be provided within six (6) months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

For the Series 2009, Series 2010, Series 2011, Series 2012, Series 2013, Series 2014 Series 2015, Series 2015A, Series 2016, Series 2016A and Series 2017 bond issues, the District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five year anniversary of each issue.

The bond orders state that the District shall maintain insurance on the system of a kind and in an amount which usually would be carried on similar systems by water control and improvement district in the State of Texas.

In accordance with the bond orders for the Series 2015A Bonds, Series 2016 Bonds and Series 2017 Bonds, a portion of the bond proceeds was deposited into the Debt Service Fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

Bond Interest Reserve – June 1, 2016	\$ 27,880
Add: Series 2016 Bond Interest Received	122,825
Add: Series 2017 Bond Interest Received	130,816
Less: Bond Interest Paid	<u>141,834</u>
Bond Interest Reserve – May 31, 2017	<u>\$ 139,687</u>

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$10,745,806 and the bank balance was \$10,750,815. Of the bank balance, \$573,546 was covered by federal depository insurance and the remaining balance was covered by collateral pledged in the name of the District and held in a third party depository.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at May 31, 2017, as listed below:

	Cash
GENERAL FUND	\$ 2,273,475
DEBT SERVICE FUND	3,841,893
CAPITAL PROJECTS FUND	4,630,438
TOTAL DEPOSITS	\$ 10,745,806

Investments

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and 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, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain 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.

As of May 31, 2017, the District had no investments.

Restrictions

All cash and investments of the Debt Service Fund is restricted for payment of debt service and cost of assessing and collecting taxes.

All cash and investments of the Capital Projects Fund is restricted for the purchase of capital assets.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended May 31, 2017:

	June 1, 2016	Increases	Decreases	May 31, 2017
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 857,814	\$ 65,009	\$	\$ 922,823
Construction in Progress	<u>1,936,219</u>	<u>1,758,239</u>	<u>357,423</u>	<u>3,337,035</u>
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 2,794,033</b>	<b>\$ 1,823,248</b>	<b>\$ 357,423</b>	<b>\$ 4,259,858</b>
<b>Capital Assets Subject to Depreciation</b>				
Street Lights	\$ 35,508	\$ 81,496	\$	\$ 117,004
Water System	3,839,356	426,279		4,265,635
Wastewater System	8,220,402	718,495		8,938,897
Drainage System	17,155,612	1,166,352		18,321,964
Parks and Recreation	2,927,204			2,927,204
Investment in Water and Wastewater Plants	<u>2,875,454</u>	<u>464,358</u>		<u>3,339,812</u>
<b>Total Capital Assets Subject to Depreciation</b>	<b>\$ 35,053,536</b>	<b>\$ 2,856,980</b>	<b>\$ - 0 -</b>	<b>\$ 37,910,516</b>
<b>Accumulated Depreciation</b>				
Street Lights	\$ 13,924	\$ 15,122	\$	\$ 29,046
Water System	354,758	98,919		453,677
Wastewater System	848,346	202,811		1,051,157
Drainage System	2,197,521	429,428		2,626,949
Parks and Recreation	1,219,493	157,669		1,377,162
Investment in Water and Wastewater Plants	<u>418,632</u>	<u>81,376</u>		<u>500,008</u>
<b>Total Accumulated Depreciation</b>	<b>\$ 5,052,674</b>	<b>\$ 985,325</b>	<b>\$ - 0 -</b>	<b>\$ 6,037,999</b>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 30,000,862</b>	<b>\$ 1,871,655</b>	<b>\$ - 0 -</b>	<b>\$ 31,872,517</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 32,794,895</b>	<b>\$ 3,694,903</b>	<b>\$ 357,423</b>	<b>\$ 36,132,375</b>



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 7. DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources consisted of the following at May 31, 2017:

	June 1, 2016	Additions	Retirements	May 31, 2017
Deferred charges on refunding	\$ -0-	\$ 678,325	\$ 20,054	\$ 658,271

**NOTE 8. MAINTENANCE TAX**

On November 7, 2006, the voters of the District approved the levy and collection of a maintenance tax in an unlimited amount per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended May 31, 2017, the District levied an ad valorem maintenance tax at the rate of \$0.50 per \$100 of assessed valuation, which resulted in a tax levy of \$1,677,172 on the taxable valuation of \$335,434,204 for the 2016 tax year.

**NOTE 9. WATER SUPPLY AGREEMENTS**

The District's Developer, 525 Investors, Ltd., entered into a water supply agreement, effective September 20, 2005, with District No. 99 and Land Development Company, Ltd., the Developer within District No. 99. 525 Investors, Ltd. subsequently assigned their participation in the agreement to the District. On November 1, 2008, the District and its Developer, now Imperial Oaks Development Corp., entered into the First Amended and Restated Water Supply Agreement (the "Water Supply Agreement") with District No. 99 and its Developer, now 2005 Imperial Oaks, Ltd. The Water Supply Agreement supersedes the previous agreement dated September 20, 2005. This Water Supply Agreement outlines how the parties will participate in the construction, operation and maintenance of the water plant facilities. District No. 99 will hold legal title to and shall operate the water plant facilities; however, each district will hold equitable title to reserved capacity in the water plant facilities. In accordance with the Water Supply Agreement, the District initially purchased 24% of the capacity in the water plant facilities for \$623,761. The term of the Water Supply Agreement is 40 years.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 9. WATER SUPPLY AGREEMENTS (Continued)**

Effective July 24, 2012, the District and District No. 99 approved the Second Amended and Restated Agreement. On December 17, 2013, the District and District No. 99 approved the Third Amended and Restated Agreement. On May 7, 2015, the District, District No. 99 and Montgomery County Municipal Utility District No. 127 (“District No. 127”) approved the Fourth Amended and Restated Agreement whereby District No. 127 was added as a party to the Water Supply Agreement. The districts have agreed to pay for the operation and maintenance of the water plant facilities. Costs of the water plant are to be categorized as fixed costs and variable costs. The districts are billed monthly for their fixed costs based upon their pro-rata share of the capacity in the water plant facilities. The districts are also billed monthly for their share of the variable costs. Each district’s variable cost for the billing period will be calculated by multiplying the total variable costs incurred by a fraction whose numerator equals the total metered flow of water to each district during the billing period, and whose denominator is the total metered pumpage from the water plant during the billing period. In the event the total metered flow to all district’s customers is less than the metered pumpage from the water plant in a billing period, the remaining amount will be pro-rated among the districts in proportion to each district’s fixed expenses in the same billing period. In addition, the District and District No. 127 have agreed to pay District No. 99 an overhead fee equal to 10% of their respective variable costs. During the current fiscal year, the District purchased additional capacity in the water plant from District No. 99 for \$106,935.

Currently, each district’s respective share in the capacity in the water plant facilities is as follows:

The District	65.53%
Montgomery County Municipal Utility District No. 99	27.80
Montgomery County Municipal Utility District No. 127	<u>6.67</u>
Total	<u>100.00%</u>

During the year ended May 31, 2017, the District’s share of the Plant’s expenditures was \$634,049. The districts have also made an advance for operations of the water plant facilities. Total operating advances from all participants is \$17,500. The District’s share is \$10,000.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 9. WATER SUPPLY AGREEMENTS (Continued)**

Summary financial activities of the water plant as of May 31, 2017, and for the year then ended are as follows:

Total Assets	\$ 104,685
Total Liabilities	<u>104,685</u>
Total Fund Balance	<u>\$ -0-</u>
Total Revenues	\$ 806,124
Total Expenditures	<u>806,124</u>
Net Change in Fund Balance	\$ -0-
Fund Balance – June 1, 2016	<u>-0-</u>
Fund Balance – May 31, 2017	<u>\$ -0-</u>

District No. 99 has entered into an agreement with White Oak Water Supply Corporation (“White Oak”). In accordance with the White Oak agreement, District No. 99 was required to reserve capacity in the water plant facilities for White Oak in the amount 68,000 gallons per day. As of the date of this report, based on an October 1, 2009 amendment, White Oak has made payments of \$85,000 toward the costs of design and construction of 68,000 gallons per day capacity in the water plant facility and one half the cost of the metering equipment at the interconnect.

On May 8, 2006, District No. 99 entered into a water supply and emergency interconnect agreement with Rayford Road Municipal Utility District (“Rayford Road”). In accordance with this agreement, Rayford Road purchased 84,000 gallons per day capacity in the water plant facilities for \$306,594. During a prior year, \$9,044 was recorded as water system asset on the water plant report and as contributed by Rayford Road. During an emergency, the price to be paid for water by either district is \$1.00 per 1,000 gallons. On October 12, 2009, the Rayford Road agreement was amended to show a purchase price of \$317,500 and note that water delivered to the District from Rayford Road during construction at the District plant will be repaid in kind. The Second Amended and Restated Water Supply and Emergency Interconnect Agreement dated March 22, 2011, affirmed the terms of the prior agreements. On July 9, 2012, Rayford Road sold their capacity to the District No. 99 and the District in the amount of \$85,813 and \$304,244, respectively. The Second Amended and Restated Water Supply and Emergency Interconnect Agreement was terminated and District No. 99 and Rayford Road entered into an Emergency Water Supply Contract dated July 24, 2012.

On November 1, 2008, the District entered into an emergency water supply contract with Rayford Road. During an emergency, the price to be paid for water by either district is \$1.00 per 1,000 gallons. The term of the agreement is 40 years.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 9. WATER SUPPLY AGREEMENTS (Continued)**

On June 5, 2014, the District entered into an emergency water supply contract with District No. 127. During an emergency, the price to be paid for water by either district is \$1.00 per 1,000 gallons. The term of the agreement is 20 years.

**NOTE 10. WASTE DISPOSAL AGREEMENT**

The District's Developer, 525 Investors, Ltd., entered into a waste disposal agreement, effective September 20, 2005, with District No. 99 and Land Development Company, Ltd., the Developer within District No. 99. 525 Investors, Ltd. subsequently assigned their participation in the agreement to the District. On November 1, 2008, the District and its Developer, now Imperial Oaks Development Corp., entered into the First Amended and Restated Waste Disposal Agreement (the "Waste Disposal Agreement") with District No. 99 and its Developer, now 2005 Imperial Oaks, Ltd. The Waste Disposal Agreement supersedes the previous agreement dated September 20, 2005. On May 27, 2014, the District and its Developer, Imperial Oaks Development Corp., entered into the Second Amended and Restated Waste Disposal Agreement with District No. 99 and its Developer, 2005 Imperial Oaks Ltd. This Waste Disposal Agreement supersedes the previous agreement date November 1, 2008. The Waste Disposal Agreement outlines how the parties will participate in the construction, operation and maintenance of the waste disposal plant. District No. 99 will hold legal title to and shall operate the waste disposal plant; however, each district will hold equitable title to reserved capacity in the waste disposal plant. The term of the Waste Disposal Agreement is 40 years.

The districts have agreed to pay for the operation and maintenance of the waste disposal plant. Costs of the waste disposal plant are to be categorized as fixed costs and variable costs. The districts are billed monthly for their fixed costs based upon their pro-rata share of the capacity in the waste disposal plant. The districts are also billed monthly for their share of the variable costs. Each district's variable cost for the billing period will be calculated by multiplying the total variable costs incurred by a fraction whose numerator equals the calculated waste flow entering the waste disposal plant attributable to each district during the billing period, and whose denominator is the total amount of calculated waste flow entering the waste disposal plant during the billing period. The calculated waste flow, defined per the Waste Disposal Agreement, is calculated by adding the total metered water consumption through all connections within each district, not including water consumption through metered irrigation connections. In addition, the District has agreed to pay District No. 99 an overhead fee equal to 10% of its respective variable costs.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 10. WASTE DISPOSAL AGREEMENT (Continued)**

Currently, each district's respective share in the capacity in the wastewater plant is as follows:

The District	57.00%
Montgomery County Municipal Utility District No. 99	<u>43.00</u>
Total	<u>100.00%</u>

During the year ended May 31, 2017, the District's share of the wastewater plant's expenditures was \$318,080. The districts have also made an advance for operations of the waste disposal plant. Total operating advances from all participants is \$25,750. The District's share is \$9,270 while District No. 99's share is \$16,480.

Summary financial activities of the regional wastewater treatment plant as of May 31, 2017, and for the year then ended are as follows:

Total Assets	\$ 54,663
Total Liabilities	<u>54,663</u>
Total Fund Balance	<u>\$ -0-</u>
Total Revenues	\$ 415,868
Total Expenditures	<u>415,868</u>
Net Change in Fund Balance	\$ -0-
Fund Balance – June 1, 2016	<u>-0-</u>
Fund Balance – May 31, 2017	<u>\$ -0-</u>

**NOTE 11. UNREIMBURSED COSTS**

The District has executed reimbursement agreements with Developers within the District. The agreements call for the Developers to fund costs associated with water, wastewater and drainage facilities and the parks and recreational facilities until such time as the District can sell bonds. As of May 31, 2017, the District has recorded \$4,503,983, consisting of \$3,947,914 for costs associated with the parks and recreational facilities and \$556,069 for costs associated with water, wastewater and drainage facilities, as Due to Developer for completed projects. This liability has been recorded in the Statement of Net Position.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 12. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 13. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

As of May 31, 2017, the District had the following interfund liabilities: the Debt Service Fund owed the General Fund \$11,648 for maintenance tax collections and the Capital Projects Fund owed the General Fund \$4,144 for fees related to current year bond issuances. During the year ended May 31, 2017, the Capital Projects Fund transferred \$259,510 to the General Fund for reimbursement of capital outlay expenditures.

**NOTE 14. LONE STAR GROUNDWATER CONSERVATION DISTRICT**

The District is located within the boundaries of the Lone Star Groundwater Conservation District (the "Conservation District"). The Conservation District was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the "Act"), as passed by the 77th Texas Legislature, in 2001. The Act empowers the Conservation District for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Conservation District is overseeing that its participants comply with subsidence district pumpage requirements. The District is required to convert its water supply to surface water over a period of time.

A nine-member board of directors governs the Conservation District. The directors serve staggered four-year terms. Each director must qualify to serve as director in the manner provided by Section 49.055 of the Water Code.

The Conservation District charges production fees based on the amount of water authorized by permit to be withdrawn from a well. This fee enables the Conservation District to fulfill its purpose and regulatory functions. The current permit fee is \$0.075 per 1,000 gallons of water pumped from each well. During the current fiscal year, the water plant operated by District No. 99 recorded an expenditure of \$15,396 pertaining to these fees.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 15. SAN JACINTO RIVER AUTHORITY**

On June 1, 2010, District No. 99 entered into a Contract for Groundwater Reduction Planning, Alternative Water Supply, and Related Goods and Services with the San Jacinto River Authority (the "Authority"). The District and the Authority operate within the boundaries of the Lone Star Groundwater Conservation District (the "Conservation District"). The Authority has developed supplies of surface water that, when taken together with groundwater withdrawals to be permitted by the Conservation District, are reasonably believed to be adequate to satisfy the total water demands of Montgomery County. A surface water treatment and transmission system (the "Project") is proposed to be designed, constructed, operated, and maintained by the Authority in order to provide phased treatment, transmission, and delivery of the Authority's surface water to regulated users for blending with groundwater supplies, so that regulated users may continue to pump groundwater. The Authority will develop a Groundwater Reduction Plan (the "GRP") for all participants. The Authority charges a fee, currently \$2.50 per 1,000 gallons for groundwater used and \$2.69 per 1,000 gallons for surface water used. This fee enables the Authority to achieve, maintain and implement the GRP. The terms of this contract expire on December 31, 2045. During the current fiscal year, the water plant operated by District No. 99 recorded expenditures of \$603,377 in relation to this contract.

On April 24, 2014, the District and District No. 99, along with each districts Developers, entered into the Supplemental Agreement (Non-Mandatory Conversion to Surface Water) with the Authority. This agreement outlines the design and construction of the facilities in two separate phases. In accordance with the provisions related to Phase I, the District's Developer advanced \$294,000 to the District for the initial payment required to the Authority for the design of Phase I. During fiscal year 2016, the District's Developer advanced \$1,327,541 to the District for costs related to construction of the facilities. As part of the Series 2017 bond issuance in current fiscal year, the Developer was reimbursed by the District for the sum of these prior year advances as well as interest of \$93,846. Additional payments will be required as the design progresses and when the actual construction contract is awarded. Upon completion of Phase I, the Authority will be obligated to provide up to 590,000 gallons per day of treated surface water to the water plant shared with District No. 99 and District No. 99 will be required to take at least 253,000 gallons per day.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 16. WASTE DISPOSAL CAPACITY LEASE AGREEMENT**

On June 4, 2015, the District agreed to lease 100 equivalent single family connections of temporary excess capacity to District No. 127. Lease payments are \$1,722 per month. The First Amendment to the agreement states the lease will terminate the earlier of December 1, 2016 or the completion of District No. 127's wastewater treatment plant. The lease term was extended during the current fiscal year to April 2017, which coincided with completion of District No. 127's wastewater treatment plant. During the current year, the District recognized revenue of \$18,942 related to this agreement in miscellaneous revenue.



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**

**REQUIRED SUPPLEMENTARY INFORMATION**

**MAY 31, 2017**

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED MAY 31, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 1,500,000	\$ 1,668,696	\$ 168,696
Water Service	300,000	330,740	30,740
Wastewater Service	425,000	521,301	96,301
Conservation District/Water Authority Fees	350,000	452,707	102,707
Penalty and Interest	15,000	15,922	922
Tap Connection and Inspection Fees	180,000	112,645	(67,355)
Investment Revenues	1,000	2,221	1,221
Miscellaneous Revenues	<u>                    </u>	<u>30,779</u>	<u>30,779</u>
<b>TOTAL REVENUES</b>	<b><u>\$ 2,771,000</u></b>	<b><u>\$ 3,135,011</u></b>	<b><u>\$ 364,011</u></b>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 105,500	\$ 104,720	\$ 780
Contracted Services	228,500	286,079	(57,579)
Purchased Water Service	200,000	634,049	(434,049)
Purchased Wastewater Service	100,000	318,080	(218,080)
Utilities	165,000	169,588	(4,588)
Repairs and Maintenance	465,000	713,204	(248,204)
Other	183,750	162,044	21,706
Capital Outlay	<u>                    </u>	<u>56,799</u>	<u>(56,799)</u>
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 1,447,750</u></b>	<b><u>\$ 2,444,563</u></b>	<b><u>\$ (996,813)</u></b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b><u>\$ 1,323,250</u></b>	<b><u>\$ 690,448</u></b>	<b><u>\$ (632,802)</u></b>
<b>OTHER FINANCING SOURCES</b>			
Transfers In	<u>\$ -0-</u>	<u>\$ 259,510</u>	<u>\$ 259,510</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 1,323,250</b>	<b>\$ 949,958</b>	<b>\$ (373,292)</b>
<b>FUND BALANCE - JUNE 1, 2016</b>	<u>1,234,660</u>	<u>1,234,660</u>	<u>                    </u>
<b>FUND BALANCE - MAY 31, 2017</b>	<b><u>\$ 2,557,910</u></b>	<b><u>\$ 2,184,618</u></b>	<b><u>\$ (373,292)</u></b>

See accompanying independent auditor's report.

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**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**

**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**MAY 31, 2017**

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115  
SERVICES AND RATES  
FOR THE YEAR ENDED MAY 31, 2017**

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

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

**2. RETAIL SERVICE PROVIDERS**

**a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):**

Based on the rate order effective April 1, 2017.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$15.00	6,000	N	\$1.25	6,001 to 16,000
				\$1.50	16,001 to 26,000
				\$1.75	26,001 to 36,000
				\$2.00	Over 36,001
WASTEWATER:	\$29.00	6,000	N	\$1.25	Over 6,001
SURCHARGE:					
Water Conservation District Fees	\$0.075 per 1,000 gallons, plus a 10% administration fee				
San Jacinto River Authority Fee	\$2.69 per 1,000 gallons, plus a 10% administration fee				
Other					

District employs winter averaging for wastewater usage? \_\_\_\_\_   X    
Yes            No

Total monthly charges per 10,000 gallons usage: Water: \$20.00 Wastewater: \$34.00 Surcharge: \$30.42 Total: \$84.42

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115  
SERVICES AND RATES  
FOR THE YEAR ENDED MAY 31, 2017**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	1,347	1,344	x 1.0	1,344
1"	6	6	x 2.5	15
1½"	1	1	x 5.0	5
2"	16	16	x 8.0	128
3"			x 15.0	
4"	1	1	x 25.0	25
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>1,371</u>	<u>1,368</u>		<u>1,517</u>
Total Wastewater Connections	<u>1,340</u>	<u>1,337</u>	x 1.0	<u>1,337</u>

**3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)**

Gallons pumped into system: \*      Water Accountability Ratio:\*  
(Gallons billed and sold/Gallons pumped and purchased)

Gallons billed to customers:      190,733,000

\* The District receives its water supply from the joint water plant operated by District No. 99, See Note 9. During the current fiscal year, the water system pumped 239,228,000 gallons of water into the system. District No. 99 billed its customers for 48,780,000 gallons of water usage. District No. 127 billed its customer for 25,793,000 gallons of water usage.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115  
SERVICES AND RATES  
FOR THE YEAR ENDED MAY 31, 2017**

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

Does the District have Debt Service standby fees? Yes  No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes  No

County or Counties in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely  Partly  Not at all

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

Entirely  Partly  Not at all

ETJ in which the District is located:

City of Conroe, Texas

Are Board Members appointed by an office outside the District?

Yes  No

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED MAY 31, 2017**

PROFESSIONAL FEES:	
Auditing	\$ 12,400
Engineering	47,400
Legal	<u>44,920</u>
TOTAL PROFESSIONAL FEES	<u>\$ 104,720</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 634,049
Purchased Wastewater Service	<u>318,080</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 952,129</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 13,570
Operations and Billing	<u>44,943</u>
TOTAL CONTRACTED SERVICES	<u>\$ 58,513</u>
UTILITIES -	
Electricity	<u>\$ 169,588</u>
REPAIRS AND MAINTENANCE	<u>\$ 713,204</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 7,950
Insurance	8,724
Office Supplies and Postage	35,558
Payroll Taxes	310
Travel and Meetings	562
Other	<u>7,007</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 60,111</u>
CAPITAL OUTLAY	<u>\$ 56,799</u>
TAP CONNECTIONS	<u>\$ 62,338</u>
SOLID WASTE DISPOSAL	<u>\$ 211,843</u>
SECURITY	<u>\$ 15,723</u>

See accompanying independent auditor's report.



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED MAY 31, 2017**

OTHER EXPENDITURES:

Laboratory Fees	\$ 7,394
Permit Fees	4,230
Reconnection Fees	2,820
Inspection Fees	21,040
Regulatory Assessment	<u>4,111</u>

TOTAL OTHER EXPENDITURES \$ 39,595

TOTAL EXPENDITURES \$ 2,444,563

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED MAY 31, 2017**

	Maintenance Taxes		Debt Service Taxes		
TAXES RECEIVABLE -					
JUNE 1, 2016	\$	5,315	\$	9,034	
Adjustments to Beginning					
Balance		<u>(28)</u>	\$	<u>(409)</u>	
		\$	5,287	\$	8,625
Original 2016 Tax Levy	\$	1,660,568	\$	2,822,965	
Adjustment to 2016 Tax Levy		<u>16,604</u>	<u>1,677,172</u>	<u>28,227</u>	<u>2,851,192</u>
TOTAL TO BE					
ACCOUNTED FOR		\$	1,682,459	\$	2,859,817
TAX COLLECTIONS:					
Prior Years	\$	5,287	\$	8,625	
Current Year		<u>1,663,409</u>	<u>1,668,696</u>	<u>2,827,798</u>	<u>2,836,423</u>
TAXES RECEIVABLE -					
MAY 31, 2017		<u>\$</u>	<u>13,763</u>	<u>\$</u>	<u>23,394</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED MAY 31, 2017**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 52,910,410	\$ 44,009,100	\$ 31,579,140	\$ 22,963,020
Improvements	295,756,570	227,483,430	153,638,720	101,298,000
Personal Property	3,085,588	1,936,487	1,545,930	1,137,900
Exemptions	<u>(16,318,364)</u>	<u>(15,436,618)</u>	<u>(14,707,985)</u>	<u>(11,105,521)</u>
<b>TOTAL PROPERTY VALUATIONS</b>	<u>\$ 335,434,204</u>	<u>\$ 257,992,399</u>	<u>\$ 172,055,805</u>	<u>\$ 114,293,399</u>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.85	\$ 0.85	\$ 0.73	\$ 0.73
Maintenance	<u>0.50</u>	<u>0.50</u>	<u>0.62</u>	<u>0.62</u>
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<u>\$ 1.35</u>	<u>\$ 1.35</u>	<u>\$ 1.35</u>	<u>\$ 1.35</u>
<b>ADJUSTED TAX LEVY*</b>	<u>\$ 4,528,364</u>	<u>\$ 3,482,959</u>	<u>\$ 2,322,775</u>	<u>\$ 1,542,983</u>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<u>99.18 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

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

Maximum Tax – Maximum tax rate in an unlimited amount per \$100 of assessed valuation approved by voter on November 7, 2006.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2017**

SERIES - 2009

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 95,000	\$ 25,230	\$ 120,230
2019	105,000	20,430	125,430
2020	110,000	15,270	125,270
2021	120,000	9,630	129,630
2022	130,000	3,315	133,315
2023			
2024			
2025			
2026			
2027			
2028			
2029			
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2042			
	<u>\$ 560,000</u>	<u>\$ 73,875</u>	<u>\$ 633,875</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2017**

SERIES - 2010

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 90,000	\$ 28,718	\$ 118,718
2019	100,000	24,968	124,968
2020	100,000	21,018	121,018
2021	100,000	16,968	116,968
2022	105,000	12,660	117,660
2023	115,000	7,901	122,901
2024	120,000	2,700	122,700
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
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2041			
2042			
	<u>\$ 730,000</u>	<u>\$ 114,933</u>	<u>\$ 844,933</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2017**

SERIES - 2011				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2018	\$ 75,000	\$ 31,856	\$	106,856
2019	75,000	29,700		104,700
2020	75,000	27,356		102,356
2021	75,000	24,731		99,731
2022	75,000	21,788		96,788
2023	75,000	18,713		93,713
2024	75,000	15,525		90,525
2025	75,000	12,225		87,225
2026	75,000	8,813		83,813
2027	75,000	5,288		80,288
2028	75,000	1,763		76,763
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
	\$ 825,000	\$ 197,758	\$	1,022,758

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2017**

S E R I E S - 2 0 1 2			
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 50,000	\$ 71,702	\$ 121,702
2019	55,000	70,584	125,584
2020	55,000	69,278	124,278
2021	60,000	67,765	127,765
2022	65,000	65,965	130,965
2023	70,000	63,940	133,940
2024	75,000	61,653	136,653
2025	80,000	59,015	139,015
2026	85,000	56,085	141,085
2027	90,000	52,890	142,890
2028	95,000	49,420	144,420
2029	100,000	45,715	145,715
2030	110,000	41,725	151,725
2031	115,000	37,392	152,392
2032	120,000	32,810	152,810
2033	130,000	27,935	157,935
2034	140,000	22,600	162,600
2035	145,000	16,900	161,900
2036	350,000	7,000	357,000
2037			
2038			
2039			
2040			
2041			
2042			
	\$ 1,990,000	\$ 920,374	\$ 2,910,374

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2017**

S E R I E S - 2 0 1 3				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2018	\$ 100,000	\$ 90,275	\$	190,275
2019	100,000	88,275		188,275
2020	100,000	86,275		186,275
2021	100,000	84,150		184,150
2022	100,000	81,775		181,775
2023	100,000	79,150		179,150
2024	100,000	76,275		176,275
2025	100,000	73,275		173,275
2026	100,000	70,150		170,150
2027	100,000	66,900		166,900
2028	100,000	63,525		163,525
2029	100,000	60,025		160,025
2030	100,000	56,525		156,525
2031	100,000	52,900		152,900
2032	100,000	49,150		149,150
2033	100,000	45,338		145,338
2034	100,000	41,462		141,462
2035	120,000	37,200		157,200
2036	300,000	29,063		329,063
2037	300,000	17,437		317,437
2038	300,000	5,813		305,813
2039				
2040				
2041				
2042				
	\$ 2,720,000	\$ 1,254,938	\$	3,974,938

See accompanying independent auditor's report.



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2017**

SERIES - 2014			
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 75,000	\$ 141,793	\$ 216,793
2019	75,000	139,543	214,543
2020	75,000	137,293	212,293
2021	80,000	134,868	214,868
2022	85,000	132,187	217,187
2023	90,000	129,345	219,345
2024	95,000	126,338	221,338
2025	100,000	123,169	223,169
2026	100,000	119,856	219,856
2027	105,000	116,332	221,332
2028	115,000	112,410	227,410
2029	120,000	108,076	228,076
2030	125,000	103,482	228,482
2031	130,000	98,538	228,538
2032	135,000	93,238	228,238
2033	145,000	87,456	232,456
2034	150,000	81,188	231,188
2035	200,000	73,750	273,750
2036	400,000	61,000	461,000
2037	600,000	39,375	639,375
2038	600,000	13,125	613,125
2039			
2040			
2041			
2042			
	\$ 3,600,000	\$ 2,172,362	\$ 5,772,362

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2017**

SERIES - 2015

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 155,000	\$ 187,481	\$ 342,481
2019	160,000	184,331	344,331
2020	165,000	181,081	346,081
2021	175,000	176,806	351,806
2022	180,000	171,481	351,481
2023	185,000	166,006	351,006
2024	195,000	160,306	355,306
2025	200,000	154,382	354,382
2026	210,000	147,969	357,969
2027	220,000	140,706	360,706
2028	225,000	132,778	357,778
2029	235,000	124,294	359,294
2030	245,000	115,293	360,293
2031	255,000	105,919	360,919
2032	265,000	96,169	361,169
2033	275,000	85,700	360,700
2034	285,000	74,500	359,500
2035	300,000	62,800	362,800
2036	310,000	50,600	360,600
2037	325,000	37,900	362,900
2038	335,000	24,700	359,700
2039	450,000	9,000	459,000
2040			
2041			
2042			
	<u>\$ 5,350,000</u>	<u>\$ 2,590,202</u>	<u>\$ 7,940,202</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2017**

SERIES - 2015 A

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 250,000	\$ 224,362	\$ 474,362
2019	250,000	216,862	466,862
2020	250,000	209,362	459,362
2021	250,000	201,862	451,862
2022	250,000	195,612	445,612
2023	250,000	190,612	440,612
2024	250,000	185,300	435,300
2025	250,000	179,363	429,363
2026	250,000	172,488	422,488
2027	250,000	164,988	414,988
2028	250,000	157,488	407,488
2029	250,000	149,832	399,832
2030	260,000	141,701	401,701
2031	270,000	133,088	403,088
2032	280,000	123,800	403,800
2033	290,000	113,825	403,825
2034	300,000	103,125	403,125
2035	300,000	91,875	391,875
2036	300,000	80,625	380,625
2037	500,000	65,625	565,625
2038	500,000	46,875	546,875
2039	500,000	28,125	528,125
2040	500,000	9,375	509,375
2041			
2042			
	<u>\$ 7,000,000</u>	<u>\$ 3,186,170</u>	<u>\$ 10,186,170</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2017**

SERIES - 2016

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 200,000	\$ 243,650	\$ 443,650
2019	210,000	239,550	449,550
2020	220,000	235,250	455,250
2021	230,000	230,750	460,750
2022	240,000	226,050	466,050
2023	250,000	221,150	471,150
2024	260,000	216,050	476,050
2025	270,000	210,750	480,750
2026	280,000	205,250	485,250
2027	290,000	199,550	489,550
2028	300,000	193,650	493,650
2029	310,000	187,550	497,550
2030	320,000	180,850	500,850
2031	330,000	173,331	503,331
2032	350,000	165,038	515,038
2033	350,000	156,288	506,288
2034	360,000	147,413	507,413
2035	380,000	137,688	517,688
2036	410,000	126,825	536,825
2037	425,000	115,344	540,344
2038	500,000	102,000	602,000
2039	775,000	82,875	857,875
2040	775,000	59,625	834,625
2041	800,000	36,000	836,000
2042	800,000	12,000	812,000
	<u>\$ 9,635,000</u>	<u>\$ 4,104,477</u>	<u>\$ 13,739,477</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2017**

SERIES - 2016 A REFUNDING

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 90,000	\$ 193,013	\$ 283,013
2019	45,000	191,663	236,663
2020	45,000	190,763	235,763
2021	50,000	189,813	239,813
2022	50,000	188,813	238,813
2023	185,000	186,463	371,463
2024	190,000	182,713	372,713
2025	330,000	175,038	505,038
2026	340,000	162,463	502,463
2027	355,000	148,563	503,563
2028	375,000	133,963	508,963
2029	470,000	117,063	587,063
2030	490,000	97,863	587,863
2031	510,000	77,863	587,863
2032	530,000	59,713	589,713
2033	550,000	43,513	593,513
2034	560,000	26,163	586,163
2035	525,000	8,531	533,531
2036			
2037			
2038			
2039			
2040			
2041			
2042			
	<u>\$ 5,690,000</u>	<u>\$ 2,373,977</u>	<u>\$ 8,063,977</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2017**

SERIES - 2017

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ -	\$ 218,026	\$ 218,026
2019	275,000	258,881	533,881
2020	275,000	253,381	528,381
2021	275,000	247,881	522,881
2022	275,000	242,381	517,381
2023	275,000	236,881	511,881
2024	275,000	231,381	506,381
2025	275,000	225,881	500,881
2026	275,000	220,381	495,381
2027	275,000	214,538	489,538
2028	275,000	207,319	482,319
2029	275,000	199,069	474,069
2030	275,000	190,819	465,819
2031	275,000	182,569	457,569
2032	275,000	174,319	449,319
2033	275,000	166,069	441,069
2034	275,000	157,819	432,819
2035	275,000	149,397	424,397
2036	275,000	140,631	415,631
2037	275,000	131,522	406,522
2038	275,000	122,241	397,241
2039	735,000	104,738	839,738
2040	875,000	76,563	951,563
2041	875,000	45,938	920,938
2042	875,000	15,313	890,313
	<u>\$ 8,860,000</u>	<u>\$ 4,413,938</u>	<u>\$ 13,273,938</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2017**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2018	\$ 1,180,000	\$ 1,456,106	\$ 2,636,106
2019	1,450,000	1,464,787	2,914,787
2020	1,470,000	1,426,327	2,896,327
2021	1,515,000	1,385,224	2,900,224
2022	1,555,000	1,342,027	2,897,027
2023	1,595,000	1,300,161	2,895,161
2024	1,635,000	1,258,241	2,893,241
2025	1,680,000	1,213,098	2,893,098
2026	1,715,000	1,163,455	2,878,455
2027	1,760,000	1,109,755	2,869,755
2028	1,810,000	1,052,316	2,862,316
2029	1,860,000	991,624	2,851,624
2030	1,925,000	928,258	2,853,258
2031	1,985,000	861,600	2,846,600
2032	2,055,000	794,237	2,849,237
2033	2,115,000	726,124	2,841,124
2034	2,170,000	654,270	2,824,270
2035	2,245,000	578,141	2,823,141
2036	2,345,000	495,744	2,840,744
2037	2,425,000	407,203	2,832,203
2038	2,510,000	314,754	2,824,754
2039	2,460,000	224,738	2,684,738
2040	2,150,000	145,563	2,295,563
2041	1,675,000	81,938	1,756,938
2042	1,675,000	27,313	1,702,313
	<u>\$ 46,960,000</u>	<u>\$ 21,403,004</u>	<u>\$ 68,363,004</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115  
CHANGE IN LONG-TERM BOND DEBT  
FOR THE YEAR ENDED MAY 31, 2017**

Description	Original Bonds Issued	Bonds Outstanding June 1, 2016
Montgomery County Municipal Utility District No. 115 Unlimited Tax Bonds - Series 2009	\$ 3,460,000	\$ 3,085,000
Montgomery County Municipal Utility District No. 115 Unlimited Tax Bonds - Series 2010	2,800,000	2,480,000
Montgomery County Municipal Utility District No. 115 Unlimited Tax Bonds - Series 2011	2,120,000	1,895,000
Montgomery County Municipal Utility District No. 115 Unlimited Tax Bonds - Series 2012	2,120,000	2,035,000
Montgomery County Municipal Utility District No. 115 Unlimited Tax Bonds - Series 2013	2,920,000	2,820,000
Montgomery County Municipal Utility District No. 115 Unlimited Tax Bonds - Series 2014	3,750,000	3,675,000
Montgomery County Municipal Utility District No. 115 Unlimited Tax Bonds - Series 2015	5,500,000	5,500,000
Montgomery County Municipal Utility District No. 115 Unlimited Tax Bonds - Series 2015A	7,000,000	7,000,000
Montgomery County Municipal Utility District No. 115 Unlimited Tax Bonds - Series 2016	9,635,000	
Montgomery County Municipal Utility District No. 115 Unlimited Tax Refunding Bonds - Series 2016A	5,690,000	
Montgomery County Municipal Utility District No. 115 Unlimited Tax Bonds - Series 2017	8,860,000	
<b>TOTAL</b>	<b>\$ 53,855,000</b>	<b>\$ 28,490,000</b>

See accompanying independent auditor's report.



Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding May 31, 2017	Paying Agent
	Principal	Interest		
\$	\$ 2,525,000	\$ 99,760	\$ 560,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,750,000	72,668	730,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,070,000	58,559	825,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	45,000	72,653	1,990,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	100,000	92,275	2,720,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	75,000	144,044	3,600,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	150,000	190,531	5,350,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		228,113	7,000,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
9,635,000		113,954	9,635,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
5,690,000		49,555	5,690,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
8,860,000			8,860,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 24,185,000</u>	<u>\$ 5,715,000</u>	<u>\$ 1,122,112</u>	<u>\$ 46,960,000</u>	

See accompanying independent auditor's report.

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**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115  
CHANGE IN LONG-TERM BOND DEBT  
FOR THE YEAR ENDED MAY 31, 2017**

Bond Authority:	<u>Tax Bonds*</u>
Amount Authorized by Voters	\$ 130,672,000
Amount Issued	<u>48,760,000</u>
Remaining to be Issued	<u>\$ 81,912,000</u>
Debt Service Fund cash and investment balances as of May 31, 2017:	<u>\$ 3,841,893</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 2,734,520</u>

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

\* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amounts		
	2017	2016	2015
<b>REVENUES</b>			
Property Taxes	\$ 1,668,696	\$ 1,294,652	\$ 1,070,160
Water Service	330,740	287,419	240,283
Wastewater Service	521,301	446,833	313,368
Conservation District/Water Authority Fees	452,707	357,693	235,386
Penalty and Interest	15,922	15,529	10,971
Tap Connection and Inspection Fees	112,645	126,890	251,440
Investment Revenues	2,221	1,030	740
Miscellaneous Revenues	30,779	18,661	8,942
<b>TOTAL REVENUES</b>	<b>\$ 3,135,011</b>	<b>\$ 2,548,707</b>	<b>\$ 2,131,290</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 104,720	\$ 146,127	\$ 115,628
Contracted Services	286,079	232,887	172,238
Purchased Water Service	634,049	548,354	405,355
Purchased Wastewater Service	318,080	191,565	174,394
Utilities	169,588	179,283	159,419
Repairs and Maintenance	713,204	476,884	379,750
Other	162,044	185,034	274,971
Capital Outlay	56,799	1,636,599	45,806
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,444,563</b>	<b>\$ 3,596,733</b>	<b>\$ 1,727,561</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ 690,448</b>	<b>\$ (1,048,026)</b>	<b>\$ 403,729</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers In	\$ 259,510	\$	\$ 80,827
Developer Advances		1,327,541	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 259,510</b>	<b>\$ 1,327,541</b>	<b>\$ 80,827</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 949,958</b>	<b>\$ 279,515</b>	<b>\$ 484,556</b>
<b>BEGINNING FUND BALANCE</b>	<b>1,234,660</b>	<b>955,145</b>	<b>470,589</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 2,184,618</b>	<b>\$ 1,234,660</b>	<b>\$ 955,145</b>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2014	2013	2017	2016	2015	2014	2013
\$ 702,158	\$ 499,033	53.2 %	50.9 %	50.3 %	47.5 %	48.3 %
175,375	130,380	10.6	11.3	11.3	11.8	12.6
263,747	196,390	16.6	17.5	14.7	17.8	19.0
153,573	82,333	14.4	14.0	11.0	10.4	8.0
8,143	4,746	0.5	0.6	0.5	0.5	0.5
167,880	113,460	3.6	5.0	11.8	11.3	11.0
403	201	0.1				
9,893	6,466	1.0	0.7	0.4	0.7	0.6
<u>\$ 1,481,172</u>	<u>\$ 1,033,009</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 177,964	\$ 123,624	3.4 %	5.7 %	5.4 %	12.0 %	12.0 %
130,437	96,313	9.1	9.1	8.1	8.8	9.3
289,834	164,459	20.2	21.5	19.0	19.6	15.9
171,938	136,773	10.1	7.5	8.2	11.6	13.2
125,035	102,554	5.4	7.0	7.5	8.4	9.9
248,703	195,856	22.7	18.7	17.8	16.8	19.0
177,316	124,739	5.2	7.3	12.9	12.0	12.1
		1.8	64.2	2.1		
<u>\$ 1,321,227</u>	<u>\$ 944,318</u>	<u>77.9 %</u>	<u>141.0 %</u>	<u>81.0 %</u>	<u>89.2 %</u>	<u>91.4 %</u>
<u>\$ 159,945</u>	<u>\$ 88,691</u>	<u>22.1 %</u>	<u>(41.0) %</u>	<u>19.0 %</u>	<u>10.8 %</u>	<u>8.6 %</u>
\$ 85,527	\$ 7,013					
<u>\$ 85,527</u>	<u>\$ 7,013</u>					
\$ 245,472	\$ 95,704					
<u>225,117</u>	<u>129,413</u>					
<u>\$ 470,589</u>	<u>\$ 225,117</u>					

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2017	2016	2015
<b>REVENUES</b>			
Property Taxes	\$ 2,836,423	\$ 2,195,694	\$ 1,259,820
Penalty and Interest	9,443	13,097	12,229
Interest on Investments	4,532	2,497	1,880
Miscellaneous Revenues			
<b>TOTAL REVENUES</b>	<b>\$ 2,850,398</b>	<b>\$ 2,211,288</b>	<b>\$ 1,273,929</b>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 60,673	\$ 48,673	\$ 32,943
Debt Service Principal	620,000	460,000	275,000
Debt Service Interest and Fees	1,127,612	986,684	686,474
Bond Issuance Costs	224,274		
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,032,559</b>	<b>\$ 1,495,357</b>	<b>\$ 994,417</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ 817,839</b>	<b>\$ 715,931</b>	<b>\$ 279,512</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-Term Debt Issued	\$ 253,641	\$ 114,056	\$ 96,016
Refunding Bonds	5,690,000		
Payment to Refunded Bond Escrow Agent	(5,655,937)		
Bond Premium	191,863		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 479,567</b>	<b>\$ 114,056</b>	<b>\$ 96,016</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 1,297,406</b>	<b>\$ 829,987</b>	<b>\$ 375,528</b>
<b>BEGINNING FUND BALANCE</b>	<b>2,503,421</b>	<b>1,673,434</b>	<b>1,297,906</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 3,800,827</b>	<b>\$ 2,503,421</b>	<b>\$ 1,673,434</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>1,368</b>	<b>1,237</b>	<b>1,099</b>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>1,337</b>	<b>1,211</b>	<b>1,079</b>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2014	2013	2017	2016	2015	2014	2013
\$ 826,754	\$ 588,912	99.5 %	99.3 %	98.9 %	99.3 %	98.1 %
3,898	4,922	0.3	0.6	1.0	0.5	0.8
2,045	2,776	0.2	0.1	0.1	0.2	0.5
	3,784					0.6
<u>\$ 832,697</u>	<u>\$ 600,394</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 27,254	\$ 18,623	2.0 %	2.2 %	2.6 %	3.3 %	3.1 %
230,000	150,000	21.8	20.8	21.6	27.6	25.0
539,326	436,783	39.6	44.6	53.9	64.8	72.7
		7.9				
<u>\$ 796,580</u>	<u>\$ 605,406</u>	<u>71.3 %</u>	<u>67.6 %</u>	<u>78.1 %</u>	<u>95.7 %</u>	<u>100.8 %</u>
<u>\$ 36,117</u>	<u>\$ (5,012)</u>	<u>28.7 %</u>	<u>32.4 %</u>	<u>21.9 %</u>	<u>4.3 %</u>	<u>(0.8) %</u>
\$ 121,347	\$ 74,803					
<u>\$ 121,347</u>	<u>\$ 74,803</u>					
\$ 157,464	\$ 69,791					
<u>1,140,442</u>	<u>1,070,651</u>					
<u>\$ 1,297,906</u>	<u>\$ 1,140,442</u>					
<u>840</u>	<u>607</u>					
<u>822</u>	<u>593</u>					

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**MAY 31, 2017**

District Mailing Address - Montgomery County Municipal Utility District No. 115  
c/o Smith, Murdaugh, Little & Bonham, L.L.P.  
2727 Allen Parkway, Suite 1100  
Houston, TX 77019

District Telephone Number - (713) 652-6500

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>May 31, 2017</u>	Expense reimbursements for the year ended <u>May 31, 2017</u>	<u>Title</u>
Hal B. Sharp	05/16- 05/20 (Elected)	\$ 1,500	\$ -0-	President
Catherine Athearn	05/16- 05/20 (Elected)	\$ 1,800	\$ 242	Vice President
Cynthia A. Giles	05/16- 05/20 (Elected)	\$ 1,800	\$ 116	Secretary
Leona G. Ohrt	05/14- 05/18 (Elected)	\$ 1,650	\$ 106	Director
Donald A. Frederick	08/15- 05/18 (Appointed)	\$ 1,200	\$ 97	Director

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

The submission date of the most recent District Registration Form was (TWC Sections 36.054 and 49.054): January 5, 2017.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on July 6, 2006. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
MAY 31, 2017**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2017</u>	<u>Title</u>
Smith, Murdaugh, Little & Bonham, L.L.P.	07/06/06	\$ 44,920 \$ 455,820 \$ -0-	General Counsel/ Bond Counsel/ Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	04/16/08	\$ 10,750 \$ 16,600	Auditor Bond Related
Myrtle Cruz, Inc.	08/03/06	\$ 16,199 \$ 8,500	Bookkeeper Bond Related
IDS Engineering Group	07/06/06	\$ 47,400 \$ 47,125	Engineer Bond Related
FirstSouthwest, a Division of Hilltop Securities Inc.	07/06/06	\$ 339,414	Financial Advisor
Bill Russell	09/07/06	\$ -0-	Investment Officer
Municipal Operations & Consulting	08/03/06	\$ 463,508	Operator
Equi-Tax, Inc.	08/03/06	\$ 23,121	Tax Assessor/ Collector

See accompanying independent auditor's report.